LABOR AND OTHER CAPITAL:

THE RIGHTS OF EACH SECURED

AND

THE WRONGS OF BOTH ERADICATED.

OR,

AN EXPOSITION OF THE CAUSE WHY FEW ARE WEALTHY AND MANY POOR, AND THE DELINEATION OF A SYSTEM, WHICH, WITHOUT INFRINGING THE RIGHTS OF PROPERTY, WILL GIVE TO LABOR ITS JUST REWARD.

BY EDWARD KELLOGG,
AUTHOR OF "CURRENCY, THE EVIL AND THE REMEDY."

NEW YORK:
PUBLISHED BY THE AUTHOR,
AND FOR SALE AT NO. 47 STONE-STREET.
PRINTED BY GEO. W. WOOD, NO. 29 GOLD-STREET.
1849.

TABLE OF CONTENTS.

PART I.

PRINCIPLES OF DISTRIBUTION.

CHAPTER I.

CHAPTER II.

MONEY, THE MEDIUM OF DISTRIBUTION.

SECTION I.

SECTION II.

SECTION III.

SECTION IV.

3 4 - 4

SECTION V.

SECTION VI.

CHAPTER III.

THE RATES OF INTEREST THE GOVERNING POWER OF DISTRIBUTION TO LABOR AND CAPITAL.

SECTION I.

SECTION II.

SECTION III.

SECTION IV.

SECTION V.

SECTION VI

SECTION VII.

SECTION VIII.

SECTION IX.

SECTION X.

SECTION XI

SECTION XII.

SECTION XIII.

SECTION XIV.

SECTION V.

SECTION VI.

SECTION VII.

CHAPTER V.

CHAPTER VI.

CHAPTER VII.

CHAPTER VIII.

PART II.

THE INSTITUTION OF PAPER MONEY, AND ITS CAPABILITY TO REMEDY THE EVILS OF OUR PRESENT CURRENCY.

CHAPTER I.

THE SAFETY FUND.

SECTION I.

SECTION II.

SECTION III.

SECTION IV.

SECTION V.

CHAPTER II.

CHAPTER III.

CHAPTER IV.

APPENDIX.

PREFACE.

The laboring classes of all civilized nations have been, and are, as a body, poor. Nearly all wealth is the production of labor; therefore, laborers would have possessed it, had not something intervened to prevent this natural result. Even in our own country, where the reward of labor is greater than in most others, some cause is operating with continual and growing effect to separate production from the producer. The wrong is evident, but neither statesmen nor philanthropists have traced it to its true source; and hence they have not been able to project any plan sufficient for its removal.

The design of the present volume is to show the true cause; and to illustrate its operation so plainly and variously, that any ordinary mind may easily perceive how it has produced and continued this unnatural oppression of laborers. It will also be shown, with equal clearness, that a simple and effectual remedy can be applied to the removal of the evil. A good government must have some system by which it can secure the distribution of property according to the earnings of labor, and at the same time strictly preserve the rights of property: and no government, whether republican or not, that fails in these particulars, can ensure the freedom and happiness of the people and become permanent. The plan proposed to secure this distribution is obviously safe and certain; and it contemplates no agrarian or other similar distribution of property, nor any interference in contracts between laborers and capitalists, or in the usual course of business. Fulfilling these requirements, it can hardly fail to recommend itself to all thinking men. Therefore, it is confidently believed that when the plan shall become generally known, it will be quickly put into operation, and thus save the producers of this nation from the oppression, degradation and misery which have befallen the laboring classes of all other countries.

INTRODUCTION.

The principles advanced in this treatise with regard to the compensation of labor, are essentially different from those which have been advocated by former writers upon political economy. They are the results of the reflections of one who has had extensive acquaintance with the vicissitudes to which labor is liable, and who has endeavored, by patient investigation, to trace them to their true cause, and discover an effectual and practical remedy for them. The facts of the volume are manifest; and the truth and soundness of the principles and arguments are open to the examination, and invite the scrutiny of the reader.

A thorough treatise upon the compensation of labor, must develop *the laws* which govern the award of the products of labor. *Laws* are spiritual and invisible. The *effects* of all laws relating to matter are visible, or capable of sensible demonstration. For instance, by the law of gravitation, all bodies tend toward the earth. The effect produced is visible, but the law itself can be perceived only by the understanding. We reason from known facts to the hidden power governing them. The value of any law or system may be estimated by the benefits which naturally flow from its operation. If a machine, made for the manufacture of a certain article, either will not produce the article, or produces it in an imperfect state, the inventor and all others are at once convinced that there is some defect in the contrivance, or in the construction of the machine; and we know that until the error is ascertained and rectified, the machine will be incapable of fulfilling its design, and making a perfect article. But if the article produced be perfect in all its parts, we are assured that the machine is also perfect, and fulfills the design of its inventor. Political Economy embraces the science and administration of law for securing to all their rights—that is, for securing to them the conditions requisite to the development of their various capabilities. It considers the physical wants of man, and enacts laws to protect productive industry, and furnishes a medium for the distribution of products; it provides for his mental capabilities, by placing within his reach the means of education; and for his social and moral capacities, by laws touching social intercourse, and by the establishment of penalties for infringements of individual rights. The natural result of wise laws, judiciously administered, or of a sound system of political economy, would be the general diffusion of the conditions requisite to develop man's whole nature.

One of the chief objects for which governments are constituted, is to ensure the protection of the rights of property. The security of these rights is essential to the welfare of a people. Their infringement is the cause of nearly all legal procedures. Such crimes as theft, gambling, fraud in business, bribery in courts of law, &c., consist in unjustly obtaining property without rendering an equivalent. To obtain *labor* without rendering a fair equivalent, is also a violation of the rights of property.

[*Property, value, or capital*, is anything which, either by combination, or inherently, possesses the means of affording support, comforts, or luxuries to man. *Labor* is a species of capital, and a most important one—without which, all other kinds of capital would be nearly if not wholly useless; for even food of spontaneous growth could not be gathered without labor. Labor is not, however, generally considered as capital, but as something very inferior to property and products. I have, therefore, found it convenient, in compliance with popular usage, to speak of labor and capital as distinct from each other. *Capital*, throughout the treatise, *signifies all property but labor, or ability to labor.*]

Property is almost entirely the product of labor. Labor has effected every improvement in our country; it has built our cities; cleared, fenced, and improved our farms; constructed our ships, railroads and canals. In short, every comfort of life is the fruit of past or present labor. To appreciate more fully the value of labor, suppose the laborers in this or in any other civilized nation to remain idle for the brief term of five years, and subsist upon the spontaneous productions of the earth. Let the manufacturer cease to toil, commerce be suspended, and gold and silver, however abundant, and however pure and malleable, would cease to be precious to a starving people, compared with food, and with the labor of man, which produces it.

A moderate amount of labor readily produces an abundant supply of necessaries and comforts for man; but the present distribution of these products is such, that a large number of those who labor much more than their share in the production, receive a very small proportion of the products, while the larger proportion accumulates in the possession of those who are employed neither in producing, nor in distributing them. The greater portion of the human family toil day by day for a scanty subsistence, and are destitute of the time and means for social and intellectual culture. The industrious poor, as a class, do not obtain even a competence. Their destitution often induces them to trespass against existing laws, to obtain a small proportion of that, which, under just laws, would be abundantly awarded to them as a fair compensation for their labor. All candid men will acknowledge this truth, that wealth is not distributed in accordance with either the physical or the mental usefulness of those who obtain it. Opposed to the masses who live in toil and poverty, is a small proportion of the human race, surrounded by all the appliances of luxury, and living in comparative idleness; while their abundant means of social and intellectual culture are too often neglected, or rendered useless by indolence and self-indulgence. These extremes of wealth and poverty, of luxury and want, of idleness and labor, are great, somewhat in proportion to the antiquity of the nation, or the length of time that a certain law, or system, has been in operation.

In all ages and nations, philanthropic men have endeavored to devise some means of securing to labor a better compensation. Labor-saving machines have been invented; associations have been formed for the purpose of producing with less labor, the earnings being equitably distributed according to the work performed. But these benevolent efforts have failed of any general success. The reason is this: no individuals, nor associations of individuals, can withdraw their labor or their products from the influence of the national laws which regulate distribution. Every few years there is a season of great distress, and more than usual poverty among producers. This distress is seldom occasioned by a scarcity of products. More frequently the manufacturer has goods which he cannot sell at the cost of their manufacture; the farmer has grain for which there is little or no market. While this superabundance of products continues, the laborer can obtain no employment. Himself and his family are destitute of food, clothing and shelter, and have no means of paying for them. If all this suffering be caused by *over-production*, public measures should be taken to avert the calamity, by preventing an excess of labor. This work will exhibit the cause of one curious fact, which is, that at the times when the amount of surplus products is a subject of national lamentation, *producers* are often destitute, and capitalists, who do little or nothing toward production or distribution, are supplied with all the comforts and luxuries of life, at half, or less than half the usual price.

In the various States, a tax is levied to provide schools for the children of the laboring classes. Under existing laws, this species of charity is, doubtless, very important. But wealth being the product of labor, the laborers should have abundant means to educate their children; and if a fund be established for the purposes of education, it should be necessary for those only who are unable or unwilling to labor. It is unreasonable for laws to be such as to compel the producers of wealth to ask alms of non-producers.

The wealth of this nation, like the wealth of other nations, is rapidly accumulating in the hands of a comparatively few people in our large cities. Still it is indisputable, that cities are great consumers of wealth, while they are comparatively small producers.

In all probability, one thousand of the most wealthy citizens of the city of New York, own a greater amount of real and personal property, than the whole remainder of its inhabitants. Their wealth is vested in real estate in the city and country, in bank, railroad, State, and other stocks, loans of money, &c. Allow five persons to form a family, and the one thousand men and their families would form a population of five thousand, or one and one-quarter per cent on four hundred thousand, the present population of the city. Upon this estimate,—and a little observation and reflection will show that it is not an extravagant one,—one and one-quarter per cent of the population are worth as much as the remaining ninety-eight and three-quarters per cent. Take the disproportion of wealth on a greater amount of population. We may reasonably estimate, that a hundred thousand of the wealthiest men in the United States, own as much real and personal property as the whole remainder of the nation. Allowing five persons in a family, these hundred thousand men, with their families, make a population of five hundred thousand, or two and a half per cent on twenty millions, the present population of the country. This calculation will make two and a half per cent of the population own as great an amount of wealth as the remaining ninety-seven and a half per cent.

Our government professes to found its laws on republican principles, which laws, if just, and justly administered, should secure to every individual a fair equivalent for his labor; yet probably one-half of the wealth of the nation is accumulated in the possession of but about two and a half per cent of the population, who, to say the most, have not done more labor toward the production of the wealth than the average of the ninety-seven and a half per cent, among whom is distributed the other half of the wealth.

Let those who doubt whether two and a half per cent of the population own one-half of the property of the nation, select in their own neighborhood, or in a village containing, say, four thousand inhabitants, the twenty most wealthy men, and see if the twenty are not worth as much as all the rest. Or, if the village contain ten thousand inhabitants, take the fifty most wealthy men, and see if they are not worth as much as all the rest. Allowing the families of the fifty men to average five persons each, they would amount to two hundred and fifty individuals—just two and a half per cent of the population. If it be found that the fifty men and their families own one-half of the property, then see if they have contributed more labor physically, intellectually, or morally, for the general benefit, than the rest of the villagers. I do not now speak of what their wealth may have done in hiring others to make improvements, but of the improvements that the fifty men and their families have effected by their personal labor. If they have not accomplished as much as all the rest of their townsmen, and yet own half the wealth of the town, some wrong to the majority of the people has been done. Not that these men have not acted in as good faith, or with as upright intentions as other citizens; or that others would not be equally glad to accumulate wealth in the same manner; but we ask *how* it occurs that the comparatively few have so large a proportion? They have not earned it; for they could not have performed the labor of building half the town, nor of providing half its inhabitants with food and clothing; nor could they have given half the instruction in the various trades and in the school education of the villagers. And if they have not done one-half the labor, why is it that they possess one-half the property? Why is it, too, that we see one industrious man rise from poverty to wealth, *because his business is prosperous*, and another man who is equally diligent in an equally useful employment, remaining with a mere subsistence?

The wealthy men of a nation are not usually those whose genius makes improvements in the mechanical arts, or who, by any species of labor, contribute much to actual production. Their attention is generally directed to the accumulation of wealth by indirect means, which do not require labor.

[*Labor* signifies toil, which produces or distributes something actually useful; and this is the sense in which the term is used in this volume. When toil is directed to wrong ends, it does not deserve the name of labor.]

Any internal improvement, for instance, a railroad, is usually suggested by some enterprising man who desires to benefit the public by opening avenues for the transportation of products, and the conveyance of those engaged in selling and purchasing them. For, although a vast amount of merchandise may be manufactured upon a few square miles of land, yet agricultural products require a wide extent of country. No ingenuity could make the six or seven square miles upon which the city of New York is built, produce food and clothing for its four hundred thousand inhabitants. Hence the necessity for railroads and means of transportation.

The projector of a railroad or other improvement seldom has much capital to contribute to it; and certainly one laborer could do very little toward grading the road, mining the ore, and manufacturing the iron. If such a road were deemed necessary for the public accommodation, it is doubtful whether it would be in the power of the ninety-seven and a half per cent of the people to construct it, if the two and a half per cent of the wealthy men should oppose the measure. The former depend upon the latter to take a large share of the stock. Their willingness to take it generally depends more upon the interest that they will receive from the investment, than upon any desire to supply the wants of their fellow citizens. If five thousand of the most wealthy men in the State of New York, should determine that a road should not be built, it is doubtful whether the rest of the inhabitants, or the government of the State could construct it. The State could not, unless she should obtain the necessary funds by the issue and sale of State bonds. If the five thousand men should determine to destroy her credit by crying down the value of her bonds, and should also collect in their money, and draw specie from the banks, they would cause such embarrassment in the money market, that the State bonds bearing seven per cent interest, could not be sold, even at fifty cents on the dollar, in sufficient amount to build the road. If, however, the five thousand men should think the road would yield a large per centage on its cost, they would, doubtless, call the project a good one, and take a large share of the stock, and the road would be speedily completed. The two and a half per cent of the population decide whether the road shall exist; and the majority of the people, who are most interested, and the State government, are powerless without them.

Who actually make the road? Capitalists furnish money to pay the laborers, and, in this sense, they are the builders of the road, as well as the owners of it. But it may be that few, if any of them, ever engaged in the surveying or labor. Laborers, and laborers alone, construct the road. Again, who pay the semi-annual dividends received by the stockholders? If we allow the ninety-seven and a half per cent of the population to own one-half of the stock in the road, and the two and a half per cent to own the other half, the latter will receive as great an amount of dividends every six months as the former. The tolls and fare upon the road are mostly collected from those who transport products and manufactured articles, and who travel upon the road to make the necessary exchanges. A per centage must be taken from the products, or added to them, to pay the fare or tolls; and from this per centage the dividends upon the stock are paid. The larger part of these dividends pass into the hands of capitalists.

The injustice of the present distribution of products is still more conspicuous, when we consider that *present labor* is indispensable to human existence. Although all discoveries, inventions, and improvements, made by all previous labor, are transmitted, free of expense, to successors, yet the property, thus improved and inherited, cannot give support without *present* labor. The spontaneous productions of the earth cannot supply one-twentieth part of the population with food. Clothing can last but a few years, and buildings, unless repaired, must decay. Therefore, each generation must provide its own means of subsistence.

If a generation enact laws through which one-third of the succeeding generation can live in luxury without labor, then the labor of the other two-thirds, besides supplying their own necessities, must also supply the wants of the first third. Although the idle rich man inherits wealth, yet he owes his present support to the labor of others. Others must raise the grain that he consumes, manufacture cloth for his use, build his house, &c.

If one-third of a generation own all the property, they have the means of supplying their wants by labor upon their own possessions; but the two-thirds who have no property, have not even the means of preserving their lives, unless the one-third allow them the use of property on which to expend their labor. The rate of interest on money enables the owners of property to demand an undue proportion of the products of labor for the use of property, and laborers are compelled to make their agreements with them under these circumstances. Undoubtedly both parties are governed by their own interests in making their agreements; but the *circumstances* under which contracts are made, render them very unjust towards laborers. Suppose one of the contracting parties to be on land, and the other in water, where he must drown, unless he receive assistance from the first. Although he might be well aware that his friend on shore was practising a very grievous extortion, yet, under the circumstances, he would be glad to make any possible agreement, to be rescued. The monetary laws of nations have depressed the producing classes to a similar state of dependence upon capitalists, and they are similarly obliged to make their contracts with them under great disadvantages.

Present laborers, who produce present products, should receive a very large proportion of them; and capitalists, who do not labor, should receive a correspondingly small proportion. How shall this change in the reward of labor and capital be effected? Shall laws be made to determine the prices of various kinds of labor, and thus prevent the laborer and employer from making contracts upon their own terms? This would be impracticable, and, if practicable, not desirable. Each man should be at liberty to make his own contracts. There is no need of interference with this liberty, in order to prevent capital from taking too large a proportion of the products of labor.

Four or five hours of daily individual toil, judiciously applied, would probably supply the wants of the whole human race. Not only is a moderate amount of manual labor necessary to the full development and health of the physical system, but it contributes, in no slight degree, to the most ennobling exercise of the moral and mental capabilities.

The great disparity in the conditions of the rich and poor is the natural result of unjust laws, and, therefore, this disparity must continue so long as these laws are in force. If, however, a father should so dispose of his property, that all his children, except one, should be compelled to work twelve or fourteen hours a day for a mere subsistence, while one son should receive an immense fortune, which would supply him with every luxury without toil, the injustice and injury to both parties would call forth the censure of every right thinking person. A government is no more justifiable in legislating so as to produce these effects, than a father is justifiable in a similar treatment of his children. Governments are established to secure the rights of the governed, as much as a father holds his position, that he may secure to his children all that is necessary to develop their natures.

Few people are aware how greatly their interest and happiness are affected by legislation. In the United States, the people generally suppose, that they have all the freedom and rights that a government can confer, because they are at liberty to select any location, engage in any occupation, and dispose of their time and property in their own way. Our government is also deemed beneficent, because poor-houses and schools are provided for the needy. If a farmer or a mechanic should be told that our laws oppressed him, probably he would say, that he worked at what he pleased, and sold either his labor or its products to whom he pleased, and had no law-suits, and, therefore, the laws did not, in the least, infringe his rights, and would not those of any other man who was upright in his dealings.

But notwithstanding the apparent freedom secured to us, it may be easily shown that our laws inflict great evils upon us. The business of every man, whatever be his avocation or profession, is affected by them. A very large proportion of the people are actually wronged out of their property, and the earnings of their labor, by the operation of the laws, although their contracts are voluntarily made, and honestly fulfilled. Neither of the contracting parties may know that either is injured by the laws, although both may be sensible that justice is really not done them.

Many people seem to be opposed to *innovation*. They do not consider that all improvements in the mechanical arts, or in laws, are innovations upon former things and former laws. The establishment of our republican government was an innovation upon monarchies. People do believe that changes may be made for the better, for each year they assemble legislative bodies to re-model old laws, and to make new ones. Every modification of a law is an innovation, and every new law is an innovation upon former laws. Every moral improvement is an innovation upon the previous evil. Those who talk against innovation, are often great innovators. They are doing, or advocating something to improve the condition of man.

The necessity for the *exchange of commodities* is generally acknowledged. Few, however, even among thinking men, are aware how indispensable these exchanges are to the subsistence and comfort of the human family

Men are social beings, and mutually dependent. To appreciate this important truth, we must consider the inability of each man to provide for himself the numerous wants of his nature; and the ignorance and discomfort to which each would be exposed, were he not benefitted by the labor of others. If every man could build his own house, furnish his own food and clothing, and make all the instruments and utensils that he needs to use: if the materials for all these things were placed upon every acre of land, and every man, woman, and child, were endowed with sufficient skill and strength to produce them, there might be no need of an exchange of commodities.

But all men are, in many, in most things, dependent on the labor of their fellow men. For example, take the farmer, who is universally acknowledged to be the least dependent of men, and see for how many things even he is indebted to the labor of others. He must have implements of husbandry for the cultivation of his farm, a plow, harrow, shovel, hoe, scythes, sickle, cradle, a fan, or fanning-mill, and a cart or wagon. The farmer is dependent on the miner for the iron ore; on the collier to dig the coal; on the furnace-worker to smelt the iron; and on the forger and the smith to make his iron and steel instruments. He is dependent on the wagon-maker for his wagon; on the machinist for his fanning-mill; on the carpenter for his house; on the nail-maker for nails; on the glass-manufacturer for glass; on the stone-cutter and the mason for mason-work; on the brick-maker for bricks; on the cooper for barrels, tubs, and pails; on the saw-maker for a saw, and on the rolling-mill to roll out the iron or steel for it; on the tin-plate-worker for kitchen utensils; on the moulder and caster of iron for iron-pots; on the miner of copper, and on the copper and brass founder for brass and copper-kettles; on the pump-maker for a pump, &c., &c. He is necessarily dependent on the needle-maker, the pin-maker, the button-maker, the silk-grower, the tanner, the shoe-maker, the hatter, the saddle and harness-maker, the cabinet-maker, and the type-maker, type-setter, and printer. Not one of these artisans, in attending to his particular employment, produces his food and clothing; and all would be destitute of them, unless supplied with them by the labor of others. The farmer raises all his food, except salt, tea, coffee, sugar, molasses, spices, and the like; these, and the ships to transport them, must be furnished by others. These wants call into employment ship-carpenters, sailors, compass-makers, surveyors, chart-makers, &c. The farmer must raise wool, cotton, hemp, or flax, or else be dependent on others for clothing. If the farmer, who is the least dependent of men, receives from others so many supplies, how is it with the hatter and the shoe-maker? One makes an article to cover the head, the other one to cover the feet; and all the other supplies of both must be furnished by the labor of others. Artisans, too, depend upon each other for the different parts of their work; the cotton manufacturer must be assisted by others to carry forward his manufacture. Many articles, such as watch-springs, are useless unless they are combined with other parts. It is, then, of paramount importance that no obstacles be thrown in the way of a ready exchange of commodities.

A certain quantity of one kind of produce is worth as much as a certain quantity of another kind of produce; and all civilized nations have adopted some *medium* by means of which all kinds of produce may be more easily exchanged than by direct barter. We hear it sometimes asserted that there is no need of a medium of exchange. But the articles of trade could not be divided and distributed to supply the numerous wants of a people without a representative of value through which the distribution could be made. For example, a man brings to market five hundred bushels of wheat. The purchaser tenders corn in payment; and they agree that seven hundred and fifty bushels of corn are worth as much as five hundred bushels of wheat. Although the seller can use but a small portion of the corn, he is obliged to take the whole, or none; but he soon meets a purchaser, with whom he exchanges the surplus for hams. He disposes of the hams for hats and shoes. If he endeavor to divide the hats and shoes, and exchange them for the articles that he needs, he may spend two years before he can return to his farm to raise a second crop of wheat. Yet he is fairly dealt with. All those with whom he exchanges, give him, as nearly as possible, an equivalent of actual value for the actual value that they receive; and all the articles are such as all need. In fact, all trade is simply a barter of one useful thing for another. A person who produces more of an article than he needs for his own use, exchanges his surplus for the surplus articles of others. If the farmer had sold the wheat for *money*, the money would have been a tender for any other article that he wished to purchase.

The value and prices of all products are estimated by money, the legal standard of value. In making out a bill upon the sale of any articles, the articles are set down at the prices agreed upon, extended and footed up, and they amount to so much *money*. How could contracts for various articles be made, and bills of them be made out and summed up, without money? Should it be said that a pint of Indian corn was equal to four rows of pins; and a pound of cotton, to twenty needles; and, if so, must there not be a description of the quality of the pins and needles, as well as that of the cotton and corn? If it should be said that ten pounds of sugar were of equal value with a boy's cap, would it not be necessary to describe the quality of the sugar, as well as the material, workmanship, and size of the cap, in order to make the contract just? A *standard of value* is manifestly indispensable to a just and convenient exchange of commodities.

The evil of an unjust distribution of products is universal throughout all civilized nations. The evil does not originate in *over production.* A surplus of cotton does not remain because no one needs it. Sixty thousand citizens of New York receive the aid of public charity. All these need additional cotton clothing. At least one-half the population of the whole country would make a yearly purchase of five dollars' worth of additional cotton clothing, if they could spare the means from their earnings. In one year, ten millions of persons would consume $50,000,000 worth of cotton clothing, in addition to the present quantity. Cotton would then maintain a good price, and the crops would be consumed. If, during the years included between 1837 and 1844, the laborers in the city of New York and its vicinity, whose occupation was the building of houses, had been furnished with the work which they would have been willing to perform, they would have built a house for nearly every poor family in the city. If the unemployed laborers in the districts where the materials for building, bricks, mortar, timber, boards, nails, &c., are usually prepared, had been set at work, the materials might have been furnished, and the buildings erected and paid for by labor. The laborers, too, would have been much happier, for they begged for work without obtaining it, and many were dependent on public charity.

The unfair distribution of wealth is not caused by over-production, but by an unjust *standard of distribution*. Distribution is regulated and effected by the standard of value, which is money. Money, as will be hereafter shown, exercises astonishing power throughout every department of business and industrial occupation. *Unjust distribution originates in wrong legislation.* When monetary laws shall be made equitable, present labor will naturally receive a just proportion of present products, and capital will likewise receive a just reward for its use.

The laws of the United States are supposed to be highly favorable to productive industry; but the standard which regulates and effects distribution, is so made, as in a great degree to defeat its own object, and to exert a disadvantageous reflex influence upon production.

Monetary laws are the most important that are enacted; for, by these laws, money is made the tender for debts, and the medium of exchange for products. All individuals are compelled to found their contracts for the necessaries of life upon the standard fixed by law. However good the intentions of the parties to contracts, their contracts will partake of the evil of the monetary laws upon which they are founded. We have laws to prohibit the fulfilment of contracts made upon certain acknowledged unjust principles. Contracts made in gambling are void in law. In gambling, each player stakes a certain sum, and all agree that the winner shall take the whole. This contract would be perfectly fair or just, if the first or fundamental principle were just. But the principle upon which gambling is founded is, that what one gains, others lose; for no production is made by gambling, and no equivalent is given to losers for their money. The laws make money the foundation for all business contracts. The value of this foundation is unjust and continually varying; so that parties in fulfilling their contracts are compelled to give either more or less than a just equivalent for their purchases. The results of all contracts are as varying and unjust as their foundation. The continual fluctuations in the value of money make a sort of gambling system of all trade.

For an example of the effects of variations in the value of money, suppose the bonds of the government be issued, payable in twenty years, and bearing six per cent interest. If we had no foreign market for these bonds, and the interest on money in our own country were unalterably fixed at six per cent, the bonds would be worth exactly par, and would continue of the same value throughout the twenty years. But if the interest on money should rise to nine per cent, and to obtain a loan at that rate the best security were required, the government bonds would fall below par, and would not be good security for more than three-fourths of their par value. Suppose the government issue a bond to a person at par, and, by pressure in the money market, he be compelled to sell it at three-fourths of its par value, to meet his engagements, the government takes, or allows others to take, one-fourth of his money, for which he receives no equivalent, more than the gambler receives an equivalent when he gambles away one-fourth of his money. The government reserves the right to coin money, and to regulate its value, and yet allows its value to change incessantly, and thus, by its own acts, deprives a man of a fourth of his money, without render ing to him any equivalent.

Under our present monetary laws, when interest is low, and money plenty, if a contract be made for the purchase of a farm, of which one-half the purchase money is to be left on mortgage for a term of years, the purchaser runs nearly as great a hazard of losing a large proportion of the money that he pays for the farm, as if he had staked the amount on the turning of dice. For, if at the time the money becomes due, interest should be as high as it was from 1837 to 1840, it is doubtful whether the farm would sell for enough to pay one-half of the purchase money remaining on mortgage. The farmer's loss, in this case, would be owing entirely to the change in the value of the dollar, and not to any change in the actual value of the farm; for the farm would produce as good a crop as if money had continued to bear a uniform interest of six per cent. The effects of varying rates of interest upon all classes of producers will be hereafter more fully exhibited.

Among political economists, the nature and regulation of money appear to have been subjects of the utmost difficulty. Notwithstanding many definitions and explanations, not one seems to give a full account of its functions, or satisfactorily to answer the numerous and perplexing questions which arise concerning its value and regulation. The alternate abundance and scarcity of money, and the variations of interest, are supposed to be irremediable evils. It would seem that gold and silver coins inherently possess a mysterious power, which defies all regulation, and renders impossible a comprehensible monetary system. It is indubitably true, that while the nature of a thing is not understood, all attempts to regulate it must prove ineffectual. The nature of money not being understood, legislative bodies, have made it without a clear knowledge of its properties, and of their bearings upon one another. Its construction has been necessarily imperfect; and although it may now be said to possess every property which belongs to money, yet the relative powers of these properties are so ill-adjusted as to disturb or defeat the legitimate uses of money.

Governments should understand the nature and uses of money, and realize that the currency of a nation, instead of being a standard according to which, and a power by which, a few capitalists may monopolize the greater part of the earnings of labor, should be a standard and power which *should distribute products to producers*, according to their labor expended in the production.

The antiquity of laws and customs is not a proof of their excellence. In all ages, and in all nations, the producing classes have been ill paid for their labor. Let us no longer recur to ancient laws and usages to uphold our unjust standard of distribution. Our producing classes are vastly more interested in knowing how the products of their own daily labor are disposed of, than in knowing how the ancients disposed of theirs. We cannot alter the evils of the past; we must act for the present and the future. Suppose a legislature enact a law which gives a certain part of their constituents great advantages over the remainder. They discover the error, and amend the law so as to operate equally upon all. The alteration is not an infringement of the rights of those who received undue advantages from the former law. It only renders justice to those previously injured. Money is as much the representative of the property of the people, as the legislature are the representatives of their constituents. Its erroneous construction and undue power have made the tens rich, and have plunged thousands into poverty. They have sent hundreds to premature graves, starved the widow and the orphan, and given untold wealth to the miser. They have been the cause of incalculable moral and social evils. It is not to be understood that those who now possess the wealth are worse than others who do not possess it, or that others, if they could have obtained it, would not have appropriated it in the same manner. But one thing is certain, that an enormous and universal wrong exists, which nothing but an entire change of our laws, respecting money, can remedy. Money is the *national* standard of distribution, therefore, the evils inevitable upon its present institution, are *national* evils, which can only be removed by the action of the general government.

A defective standard will, doubtless, appear to many an inadequate cause for the wide-spread wrongs of unjust distribution; but the fact can be established by the clearest proof, and such will be adduced in the progress of the work. It will also be shown, that a safe and just monetary system can be easily established by the government, which will so regulate the standard, that the general distribution of products will be in accordance with actual earnings. When the farmers and mechanics, and other producers and laborers, understand the system which is to be developed, and perceive its adequacy to secure to them a just compensation for their labor, they will as surely cause it to be put in operation, as they would send their products to Philadelphia or Boston, rather than to New York, if they could sell them there for a third more.

The correction and due regulation of money will make no change in the present ownership of property. The changes effected by the establishment of a sound monetary system will be gentle, immediate, gradual, sure. Only such will ensue as will naturally result from securing to the laborer a fair compensation. Its object will be to protect producers in their rights, and not to retaliate for past injuries. No agrarian distribution will be necessary, but a just standard, which will at once begin to regulate the distribution of products, so as to reward the labor performed, and, in process of time, will distribute property in accordance with individual and general rights and interests. Although the bearings of money upon labor may be deemed a somewhat dry subject, yet, under its present new aspect, it is believed that it will prove deeply interesting to all classes. The patient and continuous attention of the reader is solicited to the important facts and principles now to be presented relative to the uses and abuses of money, and to the new plan to be suggested for its institution and regulation.

PART I.

THE PRINCIPLES OF DISTRIBUTION.

CHAPTER I.

OF VALUE.

Value consists in *use;* it is that property, or those properties, which render anything useful. A house that could not be occupied would be worthless, unless its materials could be employed for some other purpose. A horse is valued for his useful qualities; if he become disabled, he is worthless, for his use is destroyed. So of everything necessary to the support and comfort of man, it is valuable because it is useful.

The same is true of ornaments. They are valuable because they are useful for ornamental purposes. If diamonds were deprived of their beauty, their use, and, therefore, their value, as ornaments, would cease to exist. A valuable portrait might be rendered worthless by erasing the features. The canvas and the paint, the material of the picture would remain, but its use would be destroyed.

The value of all property is estimated by its *usefulness.* For instance, the income that a city lot can be made to produce, determines its value. The interest on the money that its improvement will cost, must be first deducted, together with the taxes, insurance, and repairs necessary to keep the improvement permanently good. The surplus it will yield after making these deductions, determines the true value of the lot.

There are two kinds of value: *actual value*, and *legal value*. *Actual value*, or *capital*, is anything which inherently possesses the means of affording food, or which can be employed for clothing, shelter, or some other useful purpose, ornamental or otherwise, *without being exchanged for any other thing*.

Legal value is anything which *represents actual value*, or *capital*. Its existence depends upon actual value. Its worth depends upon its capability to be exchanged for things of actual value.

The following illustration shows the distinction between actual and legal value, and the dependence of the latter upon the former. The national debt of England exceeds £800,000,000 sterling, say $4,000,000,000. It bears interest at about an average of three per cent per annum, amounting to an annual sum of $120,000,000. A hundred and twenty millions of dollars' worth of the products of labor, of actual value, must be sold annually to pay the interest; to pay the principal would require a large proportion of the wealth of the country. If the paper, the legal value which represents and secures the debt and interest, were collected and burned, it would not diminish the real wealth of the nation. It would merely cause a change in individual ownership of property. But alter the circumstances, and suppose a similar amount of actual value to be consumed, houses, manufactories, machinery, fences, grain,

&c., to the amount of $4,000,000,000, and nearly every improvement would be swept from the British Islands. Destroy merely the three per cent interest of actual value on the debt for one year; i. e., products to the amount of $120,000,000, and a famine would ensue; for actual value, the products of labor, would be destroyed, instead of a legal representative, as in case of the conflagration of the paper securing the interest.

The power of money, like the power of a bond and mortgage, is legal. A mortgage upon a specific piece of land, gives the owner of this paper instrument a right to a certain portion of the value of the land. A mortgage is a specific lien, by which one individual binds a certain portion of his property to another. A lien on property, in the technical acceptation, is a judgment recorded on the docket of a court, or a mortgage recorded in the County Clerk's office. These instruments hold a right over the property of the debtor, in defiance of him, or of any other person who may have the property in possession. Money is a public lien upon all property that is for sale in the nation; and the holder of money can, at all times, procure with it the amount of property which it represents, as much as the holder of a mortgage can procure the specified amount of property upon which the mortgage is a lien. Money is, however, a lien superior to all mortgages and judgments; because, if the specified amount of money be tendered, the owner of the mortgage, or judgment, is compelled to cancel it.

Notes of hand are deemed by all business men to be liens upon the property of their drawers; otherwise, although a man owned ten thousand dollars' worth of property, his note for five thousand dollars would be deemed no better secured than if he owned no property. If money were not a lien on property, it would be valueless, and people would cease to part with their property for it.

The value of notes of hand, bonds and mortgages, book accounts, and money, depends upon their capability of being exchanged for property. Their power to accumulate is given by law, and they accumulate a mere legal representative; that is, interest in money, which is valuable only because, like the principal, it can be exchanged for a certain amount of actual value. Hence, the value is in the property, and not in the money or in the obligation. Money, and all obligations, are mere representatives, and depend upon property for their value.

CHAPTER II.

MONEY—THE MEDIUM OF DISTRIBUTION

SECTION I.

THE NATURE AND PROPERTIES OF MONEY.

MONEY is the national medium of exchange for property and products. It must be instituted, and its value must be fixed by the laws of the nation, in order to make it a public tender in payment of debts. No debt can be paid with property or with individual notes, except by consent of the creditor; but when *money* is tendered, all creditors are compelled to receive it in full satisfaction for debts. The aim of legislation in regulating the value of money, is to insure to all individuals, in making exchanges of their property for money, the full value of their products or property. Debts are postponements of the time of payment for the property or products received; and loans of money, and all rentals of property, are mere rentals of the use of certain amounts of legal or actual value, which use is to be paid for at the expiration of a specified period. Money is the legal tender, and must be offered and received in payment for all these debts.

Certain properties are by law given to some kind of substance, which bears the name, and performs the functions of money. The term *money*, then, signifies a legal and public medium of exchange, which possesses all the qualifications necessary to effect a just exchange of property. In the discussion of the nature of money, it will appear that its properties are, in truth, the creation of law, and entirely different from the properties of the things which it exchanges.

Money has four properties or powers, viz: *power to represent value, power to measure value, power to accumulate value by interest*, and *power to exchange value.* These properties are co-essential to a medium of exchange; it is impossible that any one of them should exist in such a medium independently of the others. The *material of money* is a *legalized agent*, employed to express these powers, and render them available in trade. The powers of money, which alone render it useful, are created by legislation; therefore, money can possess none but legal value. As all legal value depends upon the actual value which it holds or represents, money must represent actual value—that is, the value of property or labor.

SECTION II.

THE POWER OF MONEY TO REPRESENT VALUE.

Nothing can be money but a *legal representative* of property; for it is impossible to find any light and portable material possessing the requisite inherent value to equal and balance the value of the property and products to be exchanged. The real value is in the products, and the money is only the legal medium by which this value is represented and exchanges of the products are made.

Every representative is distinct from the thing which it represents; and its presence implies the absence of the thing represented. A representative has power to act for, or in lieu of something else. The power to represent is always independent of the natural or inherent powers of the representative; it is superadded and delegated, and cannot alter the original capabilities and qualities of the agent. Delegated authority gives the agent, the person or thing, power over other persons or things, which, with merely his natural capabilities, he can not possess. Acting for himself alone, his acts are all individual, and incapable of binding any but himself. For instance, he cannot give a note, bond or deed, which will bind others, or the property of others, unless the power be expressly delegated to him. He *may receive authority* to give a note or bond binding the property of the people for its payment. This authority does not diminish or alter his capabilities as an individual; it is superadded to his natural endowments. An ambassador represents our nation at a foreign court. If he be lost at sea, the nation loses but one individual, although he represents and acts for twenty millions. But if the nation should be annihilated, and the ambassador should reach his destination in safety, he would cease to be a representative—he would have nothing to represent. He would, however, possess all his powers as an individual—he would lose only his delegated authority as a representative.

A representative in Congress is chosen by the people, and is empowered to act for or in lieu of them. Still, it is not supposable that he possesses as much knowledge and skill as all his constituents. They are farmers, mechanics, manufacturers, and merchants. Of many of the arts with which they are familiar, the member of Congress is ignorant. He is their representative for one specific purpose—i. e., to make laws to govern the people. He has a moral perception of justice corresponding to their perceptions of justice, and this fits him to be their representative in making laws. Money is made solely to facilitate the exchange of products. To be capable of effecting this exchange, it must be endowed with a *legal power to represent actual value;* for it possesses no inherent quality which makes it equivalent to products, or labor, more than the representative in Congress possesses all the knowledge and abilities of his constituents. It is held for the time being in lieu of property; we cannot use it as property, and if we wish to use actual property we must obtain it by giving the legal representative, money, in exchange for it. The representative of value should no more have power to accumulate property in the hands of a few, than the representative of the people should be allowed to legislate for the benefit of a few of his constituents. Both are mere representatives, endowed with powers for specific purposes; the former to exchange products, the latter to enact laws. The producing classes elect and support the members of Congress, who are bound to make laws for the equal benefit of the people. The people also furnish the material of money, and the property which it represents; and the constitution of the representative of value should be such as to conduce in the highest degree to their welfare.

The following is another example of delegated or representative power: A man gives a note for a thousand dollars. He thus delegates to the paper on which the note is drawn a power that increases its legal value millions of times. Before the drawing of the note, the paper possessed a small amount of actual value, but was not a legal representative of other property; for, as paper only, its worth depended upon its inherent qualities. But when the note has been drawn upon the paper, the paper has become a representative, and has, according to law, a delegated control of a thousand dollars' worth of the property of the drawer. The drawing of the note does not add a fraction to the actual worth of the paper; its value in holding the property is legal, and superadded to its inherent qualities; the same value might be superadded by law to a plate of steel, or of any metal. The note and the property are distinct existences; but the legal value of the note depends on the actual value of the property. The paper material of a note good for a thousand dollars, is not as valuable as an ounce of flour; but it has a legal power which makes it capable of being exchanged for two hundred barrels of flour, worth five dollars each. A trifling labor will provide the representative note, but a great amount of labor is required to produce such a quantity of flour, or actual wealth. All individual notes are, however, payable not in flour, nor in actual products or property, but in money, the legal representative of all commodities and property.

According to law, the owner of an estate represents the value of the estate in his own person; but by a simple power of attorney, he can give to another the entire con trol of his property during his life time. The receiver of the power may not be worth a dollar, but the power of attorney may make him the representative and controller of millions of dollars' worth of property. The paper that secures to him the control of the property, has no greater inherent value after the writing of the instrument, than it had before; it is merely made to represent the property and control its use. The actual value which the paper represents, exists in the property, and, without the property, the paper would be worthless. The power of attorney is confined to an individual; but if a man, instead of making the power to a single person, should make it to bearer, whoever held the paper would have power over the property controlled by it. The negotiable power of money is inseparable from it, otherwise it would not be money. The holder of money has power over a certain amount of property for sale, and can appropriate it to himself. Money has a legal power or value as much superior to the natural value of its material, as a paper which secures authority over property has a value superior to blank paper.

Money is, then, a legal existence, being constituted a national representative of property; consequently it is a public lien on all property for sale in the nation, a public medium for the exchange of products, and a tender in payment of debts.

A farmer has five hundred bushels of wheat, with which he wishes to buy provisions and clothing. He will not sell the wheat for five hundred *dollars*, unless money be a legal equivalent for all the articles that he wishes to purchase. He does not want money to keep; he wants it to exchange for articles to use or consume. He sells his produce for *money*, because money is a legal equivalent for every species of property.

If money be made a representative of the earth and its productions, it cannot fail to be permanently valuable, for the earth and its products are necessary to the existence of man; and anything which legally represents them, and can be exchanged for them, must be valuable to its holders.

It is a popular error that the value of money depends upon the *material* of which it is made. As this misconception of the nature of money is of long standing, I shall endeavor to point out its inconsistency, in connection with each property of money. The value of money perpetually depends upon its power to represent value, and not upon its material, because money never reaches a point at which it can be used as an article of actual value. The value of lands and of goods, wares and merchandise, does not depend upon any act of legislation, upon any power to represent and exchange, but upon their utility for food, clothing, &c. If the gold or silver material of money be used for any other purposes than to represent and exchange property, if it be used for spoons, or ornaments, it at once ceases to be money: it is no longer a legal representative of value, but finds its level as a commodity. But the inherent properties of all articles of actual value, are their only valuable properties. However various the employment of articles of actual value, their properties do not change, or become useless. For example, cloth is useful to make a garment, and when made, is a *cloth* garment. The nature of the cloth does not change; it is only applied to a specific purpose, and the cloth retains its properties of durability, &c. Metal buttons are used upon the garment, and continue to be metal buttons. But silver money converted into a spoon, makes a *silver* spoon, and *not* a *money* spoon. The silver is no longer a legal representative of actual value; it is no longer money, for it has ceased to have the properties of money, which are creations of law. Neither a spoon nor bullion can legally represent, measure, accumulate nor exchange property; and the mere metal is, consequently, not a medium of exchange, nor a tender in payment of debts.

That the worth of money to exchange property does not reside in its material, but in its power to represent value, will appear by the following illustration. A person intends to purchase a farm and settle in Ohio. He has a thousand dollars in silver, but, as it is inconvenient to transport the specie, he exchanges it at a bank, in New York, for a thousand one dollar bank bills. The bills readily purchase the farm. The individual who receives them in payment, lends them on interest, and the borrower purchases wheat with them. Thus the bills circulate as money, and can be loaned for as good an income, or will purchase as much grain, as a thousand dollars in silver. They fulfil every purpose for which money is designed, as well as the silver would. If the notes should remain permanently in Ohio, and the people should believe the bank secure, the notes would be a much better currency than coins, for they would make purchases as well, they could as well be loaned for an income, and could be much more easily transported. Why could not a thousand axes be deposited in Wall street, and a thousand pieces of paper be taken for them, on each corner of which was engraved "*one axe,*" and in the body a written promise to pay one axe on demand, and these paper axes be taken to Ohio, and made to answer every purpose for which axes are designed, in clearing forests, &c., in lieu of the steel axes? There is as much resemblance between a paper axe and a steel axe, as there is between a paper dollar and a silver dollar. If a paper dollar, that represents a silver dollar, is as good for all the purposes for which money is designed, as a silver dollar, why is not a paper axe, that represents a steel axe, as good for all the purposes for which axes are designed, as the steel axe? The reason that the paper dollar will answer as well as the silver dollar, is, that the silver and the paper dollar are both representatives, the silver dollar equally with the paper dollar.

The government has made gold and silver coins representatives of all value, and the public tender in payment of debts. And it has likewise granted to individuals, or corporations, the privilege to make bank-notes representatives of coins. Coins are representatives of value, and bank-notes are representatives of representatives. If the government, by enacting laws, could make money possess actual instead of representative value, and make the accruing interest on the loan of money an actual producer of wealth instead of a power to compel borrowers to produce by their labor what lenders gain by interest, the conclusion would be irresistible that law can change the nature of substances, and make gold and silver possess great intrinsic value. When legislation can effect this, no doubt can be entertained of its ability to make paper-money perform the same labor and production, or a paper axe perform the functions of a steel one. But unless law can change the nature of substances, money as such can have only legal and representative value; for as soon as the material, whether gold, silver, or paper, assumes another form, or is used for any other purpose, it ceases to be money, and cannot legally represent, measure, accumulate, nor exchange value. The sole value of gold and silver coins, when not used for a currency, consists in their worth for spoons, ornaments, &c., which are a very small part of our actual wealth, and are not indispensable to human existence.

The reason that the value of bullion is equal to that of coins is, that coins are made at the expense of the nation. The government coins all the gold and silver offered at the mint free of charge. It will give, in exchange for bullion, an equal weight in coins. If the government would take wool, make cloth at the public expense, and return to those who furnished wool an equal weight in cloth, the cloth and wool would command the same price, because the expense of manufacturing the cloth would be borne by the government. If a charge were made for manufacturing, the wool would be worth less than the cloth; and if a premium were charged for coinage, the value of bullion would depreciate below that of coins. Therefore, gold and silver have no special inherent value which makes them naturally money; for they are not money until made so by conversion into coin.

SECTION III.

THE POWER OF MONEY TO MEASURE VALUE.

The *power to measure value* is another property of money. Measures are definite quantities of length, weight, bulk, and value, by which the amount of length, weight, bulk, and value in any substance is defined and ascertained.

Length, weight, bulk, and value, must necessarily be indefinite, unless some limit be fixed upon for a standard to which all other lengths, weights, quantities and values may be referred, and by which they may be computed. *Length* may be the circumference of the earth, or the unknown distance to a star, or it may be the one-thousandth part of an inch; therefore, to convey any definite idea of length, reference must be made to a fixed standard. Weight, quantity, and value, are equally indefinite; hence the necessity for some *limit* or *standard*, to which they may be referred, and by which their amount may be ascertained.

The length, weight, quantity, and value of all articles, in business transactions, are settled by certain measures fixed upon by the government. The length of the yard-stick measures and determines a before undefined length of cloth; the size of the bushel measures and defines the before undefined quantity of grain; and so of the pound weight, it defines the quantity of cotton or other substances. The cloth does not define the length of the yard-stick, neither does the grain determine the size of the bushel, nor the cotton the pound weight. The value of the *dollar* measures and determines a before undefined value of land, labor, or products; the value of land, labor, and products, does not measure and determine the already defined value of the dollar. When the yard-stick measures cloth, it does not determine its own length; and when money exchanges property, it does not determine its own value. Both the length of the yard-stick, and the value of the money, were previously determined by the laws which instituted them, and gave them power to measure length and value, which are their sole objects and uses as measures.

The pound weight, or the standard of weights, determines the amount of the weight of all commodities; and the dollar, or money, the standard of value, by its own fixed legal value, determines the amount of the value of all other things. The weight of the pound, the length of the yard, and the value of the dollar, are presumed to be invariably fixed by national laws, and, therefore, every variation from their legal standard is a fraud upon the public. If the yard be variable, the measure of length will commit frauds when it is used; and if its value be fluctuating, the measure of value will commit frauds whenever it is used to measure the value of labor or property. If measures be strictly uniform, they will equitably determine quantities and values, whether of land, labor, or commodities.

Money measures its own amount or value of actual property as often as it is passed from one individual to another, as the yard-stick measures its own length as often as it is passed over the cloth; consequently, a given sum of money measures in a given time more or less property, according to the frequency of its transfer. In one morning, a dollar, passing through several hands, may be laid out for food, buy various articles of clothing, be loaned out with other dollars on bond and mortgage, and then purchase a dozen articles more. Every time it passes, it determines the market value of the thing that it buys.

If there were no distinction between measures of value and articles of value, the same principle would apply to both: one yard of cloth, rapidly measured, would answer the purpose of two, slowly measured; a pound of food, rapidly weighed, would answer the purpose of two, slowly weighed. The value of money cannot consist in the amount or kind of the metal in which its properties are embodied; for, in its rapid circulation, it can be used neither as a utensil nor as an ornament, and is only useful to *exchange* property. Eagles and dollars are seldom used for ornamental purposes; and even if so used, while thus employed, are useless to exchange or measure products.

The value of money balances the value of the commodity sold, as the weight of the pound balances the weight of the thing weighed; or the yard, the length of the cloth measured. Measures of quantity remain stationary, their only function being to determine the exact quantities of the commodities transferred from the seller to the purchaser. But the measure of value passes into the possession of the seller, who holds it as a representative of value, in lieu of his commodity. And it is on this account that the measure of value is frequently confounded with articles of value.

Money, like all other measures, is *divisible.* The yard is divided into feet and inches, that it may determine any required length. The pound weight is divided into half-pounds, and ounces; the bushel into the peck, quart, &c., that they may accurately determine the various weights, and quantities of various substances. Money is divided into pounds, shillings, and pence, dollars, half-dollars, dimes, &c., that it may determine the precise amount of the value of all commodities.

The government reserves the right to fix the length of the yard, the weight of the pound, the size of the bushel, and the value of the dollar, that they may be fitted for public use. Money is the public measure of value; and the government is bound to make it just and uniform, that it may correctly determine the value of all commodities.

SECTION IV.

THE POWER OF MONEY TO ACCUMULATE VALUE BY INTEREST.

Money, the representative and measure of value, has also *the power to accumulate value by interest.* This accumulative power is essential to the existence of money, for no one will exchange productive property for money that does not represent production. The laws making gold and silver coins a public tender, impart to dead masses of metal, as it were, life and animation. They give them certain powers, which, without legal enactment, they could not possess, and which enable their owner to obtain for their use what other men must earn by their labor. One piece of gold receives a legal capability to earn for its owner, in a given time, another piece of gold as large as itself. Or, in other words, the legal power of money to accumulate by interest, compels the borrower, in a given period, according to the rate of interest, to mine and coin, or procure by the sale of his labor or products, another lump of gold as large as the first, and give it, together with the first, to the lender.

If the borrower of the gold pay interest half yearly at the rate of seven per cent per annum, he must double the lump in about ten years. If he pay interest half yearly at the rate of six per cent per annum, he must double the lump in less than twelve years; at three per cent, in less than twenty-four years; and at one per cent, in about seventy years.

In popular phrase, money is said to be a *producer of value;* but this expression conveys a false idea, for money possesses no power to produce. The earth produces by actual increase—by the growth of additional quantities of the seed sown. But money possesses no natural capability to produce its like. It can only accumulate things already produced. When a loan of a hundred dollars is repaid with interest, the six or seven dollars given as interest have not grown upon the original one hundred. Nothing grows upon the mortgage that bears interest. The interest on the money, or on the mortgage, must be paid in money received in exchange for property, products, or labor.

The worth and amount of the interest on the dollar constitute and determine the value of the dollar, and make it equal to a certain amount of actual value or property, as much as the amount and kind of labor that a man can perform, determine his value as a workman; or as the quality and quantity of the fruit of a tree determine the value of the tree. In the same manner, and for the same reason, if the interest on the dollar be good, the dollar will also be good. The value of the workman and of the tree is natural to them, and consists in their power to produce; the value of money is artificial, and consists in its arbitrary power to exchange products and property, and accumulate them when it is loaned.

Demand and supply are sometimes said to give value to money; but it would be as reasonable to assert that demand and supply fix the length of the yard, the weight of the pound, or the size of the bushel, as that demand and supply regulate the value of money. One is a legal instrument to determine value, its own value being fixed by law; the others are legal instruments to determine length, weight, and quantity, their own length, weight, and size being fixed by law.

Money is valuable *in proportion* to its power to accumulate value by interest. A dollar which can be loaned for twelve per cent interest, is worth twice as much as one that can be loaned for but six per cent, as much as a railroad stock which will annually bring in twelve per cent, is worth twice as much as one that annually brings in six per cent. The value of State, bank, railroad, or any other stock, is estimated by the dividends it will pay during the time it has to run. Any increase or diminution of the power of money to accumulate by interest, increases or diminishes proportionably its value, and consequently its power over property.

Money becomes worthless whenever it ceases to be capable of accumulating an income which can be exchanged for articles of actual value. Take the following example. Suppose, during the revolutionary war, A. had lent to B. a thousand dollars in gold or silver coin, at six per cent interest, for a term of fifty years, and had taken as security a mortgage on B.'s farm, which was worth $10,000. A. had agreed to receive the six per cent interest from B. in Continental money. This currency soon after proved to be worthless; and the interest proving worthless, the principal would have been worthless to A. during the fifty years for which he loaned it, although the loan was made in gold and silver coin, and, at the expiration of that period, the principal would have been paid him in coin.

Now reverse the circumstances, and suppose A. had loaned to B. a thousand dollars in Continental money on the same farm for fifty years, and had made the interest payable in gold and silver coin. Although the principal of the mortgage was loaned in Continental money, which soon after became worthless, it would have continued as valuable to A. for fifty years, as the interest in coin which he received upon it. The interest continuing valuable, the contract would have been a binding lien upon B.'s farm for the fifty years, and would have taken a part of the yearly produce of the farm for that period. At the expiration of the fifty years, the principal would have become worthless, for it could not have brought in a further income. But in the former case, in which specie was loaned, and the interest made payable in Continental money, the interest being worthless, the contract would not have been an encumbrance upon B's. farm; for no part of its yearly products would have been required to pay the interest. At the expiration of fifty years, the principal could have been demanded in specie.

The value of money as much depends upon its legal power to be loaned for an income, as the value of a farm depends upon its natural power to produce. If the Continental money, or the assignats of France, had been made representatives of property, and capable of being always loaned for a good and uniform income, they would have been as permanently valuable as a mortgage in perpetuity on a farm, which could yearly collect from the farmer a certain quantity of products, as interest, or income. The value of a horse depends upon his ability to perform useful labor for his possessor; and the value of money depends upon its capability to earn for its owner by being loaned on interest. Take twenty mortgages for ten years on twenty different farms. Suppose each of these farms to rent for sixty dollars a year, just the interest on each of the mortgages. It would take the whole produce of each farm to pay the interest on each mortgage. The twenty mortgages would take the rent or produce of the twenty farms for ten years. In one month, one thousand dollars could be easily loaned so as to take the entire income of twenty farms for ten years. Consequently, each time the money was loaned, it would accumulate an income which would be as valuable to its owner as a farm of equal value leased for the same period; for the income on the money would yearly purchase the whole yearly produce of the farm.

The difference between money and the farms is, that the former is a legal representative and measure of value, and the latter are of actual value. The money is as capable of representing and measuring its own amount of value a hundred times in a year, and creating a hundred incomes, as the pound weight is of determining its own amount of weight a hundred times. The quantity of cloth measured, and the weight of things weighed, cannot be increased by the number of times that the measure is applied to them. But money being a representative of value, and being endowed by law with the power to accumulate by interest, makes an income whenever it is transferred from one to another as a loan.

Anything that exists in perpetuity, is valuable in exact proportion to the income it will yearly bring to its owner. The market value of a house, store, or farm, rises or falls with the rise or fall of its yearly rent ; and the value of the dollar rises or falls with the rise or fall of its rent or interest. If we admit both the property and the money to be merchandise, this principle cannot be true in one case without being equally true in the other; therefore, whether we assume money to be of actual, or of legal value, to keep its value uniform, the rate of interest must be kept uniform. Doubling the capability of money to accumulate value, doubles the value of the dollar. Its nominal value may, and does remain the same—that is, it retains the name of *dollar*, although it possesses twice its ordinary value, or power over property and labor.

The same principle applies to all measures. The length of the yard-stick being doubled, although it might still retain its name, would measure twice as much cloth as with its present limits. So in money, while its denominations remain the same, its power to accumulate, which determines its value, is increased. The same dollar measures more or less property, according to the rate of interest. We may imagine a measure fluctuating, expanding and contracting between certain points; as a yard-stick, made of some elastic material, susceptible of being stretched to twice or thrice its ordinary limits, and still called a yard-stick, and used as such. But no one would deem himself acquainted with the actual length of anything measured by this yard-stick, although, if it were the legalized one, it could, and must be used in business.

Measures of quantity are instituted, and their length, bulk, and weight, are fixed by law, and not by individuals. The measure of value is instituted and made by law; and, consequently, it is fraudulently used, when the rate of interest upon it, which determines its value, is altered by individuals. The fundamental proposition of Jeremy Bentham, in his "Defence of Usury," is as follows:—

"No man of ripe years, and of sound judgment, acting freely and with his eyes open, ought to be hindered with a view to his advantage, from making such bargain, in the way of obtaining money, as he thinks fit; nor (what is a necessary consequence) anybody hindered from supplying him, upon any terms he thinks proper to accede to."

According to Mr. Bentham's theory, when money is loaned, the rate of interest to be paid must be a matter of agreement between borrower and lender. This makes the rate of interest belong to the system of free-trade, whereas it no more belongs to this system, than the lengtn of the yard-stick, or the weight of the pound. By increasing the rate of interest, both the principal of the money, and the interest upon it, have an increased power over property, as much as a pound weight increased has over the quantity of products. The right to fix the value of money is as much reserved by the government, as the right to fix the length of the yard, or the weight of the pound; and the regulation of its value is a thousand times more important to the people, than the regulation of the length of the yard-stick, or the weight of the pound.

The value of money depends upon its power to accumulate value for its owner, by interest, and not upon the worth of its material; as the value of a paper instrument, which secures a ground-rent, depends upon the productiveness of the land on which it is secured, and not upon the inherent qualities of the paper. If the land were permanently unproductive, the lien could command no products, and would be worthless, except so far as the paper on which it was drawn possessed inherent value. Suppose the lien to be engraven on a silver plate, instead of on paper, and to be made in perpetuity for $10,000, at six per cent interest per annum. Let the annual products of the land be sufficient to pay for the labor expended upon it, and to pay the ground-rent, and the silver on which the ground-rent was engraven would be worth ten thousand dollars, whether the plate of silver on which it was drawn were three feet square, and weighed three hundred pounds, or whether it were three inches square, and weighed but three ounces. If the ground-rent on each plate were in perpetuity, and it were necessary to preserve each in its proper form, to keep the title good, although so great a difference existed in the weight, there would be no difference in the value of the two plates, for both would secure the same annual amount of interest. If, however, the ground-rent should fail because of some defect in the title, of course the larger plate of metal would be worth more than the smaller, for it would make more useful and ornamental articles. A ground-rent made in perpetuity for $10,000, secured on good property by paper instruments, would be as valuable to any owner, as the larger silver plate. For this and for similar purposes, the paper is as much superior to the silver, as in manufacturing, the power-loom is superior to hand-weaving. The value of these liens on specific pieces of land, does not more depend on the productiveness of the land, than the value of the money of a nation depends upon its power to accumulate an income from the labor or property of borrowers. The value of the papers which secure the National Debt of England would cease, if the government should pass a law to pay no more interest upon the debt. A mere legislative enactment could annul the value of the papers. Laws, then, give them their worth, and their worth consists in their power to collect a yearly income, which may be exchanged for the products of labor.

Money could not answer the purposes of a medium of exchange, unless it were necessary to part with it to make it valuable. For this reason it is made to accumulate no interest in the possession of its owner; for if it would accumulate interest in his hands, it would be legally equivalent to a bond and mortgage bearing interest, or to productive property, and the owner would not need to part with it to make it productive.

SECTION V.

THE POWER OF MONEY TO EXCHANGE VALUE.

Another power of money is *to exchange property.* When it is made the public representative of value, and the interest is fixed at a just rate, it is fitted to perform the duty of money, which is the equitable exchange of property. All goods, wares, and merchandise, although they may be exchanged for money a number of times, soon find a place where they are consumed; but money never reaches a point where it can be used except for exchange. Making a silver dollar an equivalent or tender in payment for a debt contracted by the purchase of a bushel of wheat, does not make the dollar possess the nutritious qualities of the wheat, more than giving a note upon the purchase of a hundred bushels of corn, makes the note of as great actual value as the corn. The value of the note depends upon its power to exchange itself for the property of the drawer, and not upon the paper upon which the note is drawn. But the value of the corn depends upon its nutritious qualities, and not upon any power to exchange itself for the property of the person who raised or sold it. The note must be exchanged for property before it can be useful to its owner; money must also be exchanged for property to become useful.

This, then, is the distinction between articles of actual value and the medium of exchange. The former are useful only for consumption; the latter must be *exchanged* for articles needed for consumption. Hence, money is not merchandise, for if its material be used as a commodity—

if coins be converted into watch-cases and ornaments, the owner must keep them to make them useful.

Some writers, instead of considering money as a medium of exchange, call it *capital seeking investment.* If money be capital, it is already invested; because the capital would consist in the inherent value of the material of the money, and not in the thing the money seeks to obtain. But, when money has found one investment, it is as much a seeker for a second and a third investment, as if it had not been invested at all. It is always seeking investment, without being invested. It is no more real capital than a very poor horse, of which the appearance is such that he will do very well to exchange off. But if he should finally fall into the hands of a person who had not the good fortune to exchange him again for something else, the owner would have to depend upon his few useful qualities. And if a currency were formed in the various nations independently of gold and silver, and coins should cease to be a tender in payment of debts, the value of coins would depend upon their inherent qualities, as metals, as much as the value of the horse when he could be no longer exchanged for more than his actual worth, would depend upon the little labor that he could perform, or upon his hide and bones. The price of the gold and of the horse would then depend upon their actual usefulness, and not upon any capabilities for exchange.

Money is, then, a combination of legal powers, expressed upon metal, paper, or some other substance; its value is the standard or determiner of the value of all other things, and it serves as a public medium of exchange for land, labor, and all commodities.

SECTION VI.

THE MATERIAL OF MONEY, AND THE DISTINCTIONS BETWEEN MONEY AND THE MATERIAL OF WHICH IT IS MADE.

The *material* of *money*, gold, silver, paper, or any other substance, is a *legalized agent*, made to express the four properties, or powers of money, and render them available in business transactions.

Common usage has applied the term *measure* to the material, by means of which, length, weight, &c., are ascertained; as for instance, the yard, pound, and bushel, instantly suggest the stick, iron, and wood, the means employed, rather than the abstract length, weight, and size, which are, in reality, the things signified by the terms. It matters not whether the yard-stick and pound weight be of wood, iron, or gold—length and weight are the only properties necessary to be expressed by them, and possessing the standard limits, their *material* is a matter of indifference. Of course, *some* material is indispensable; but the only thing that makes one substance preferable to another, is its superior convenience. So of money; it is a matter of indifference by what material the powers or properties of money are expressed, for the material is merely a substance fixed upon by law.

The natural powers of any material do not make it money. Its powers and agency as money are delegated to it by law, in addition to its natural capabilities. When gold is used, the powers conferred upon it make it an equivalent for every species of property. If gold had not been selected for the material of money, and a legal power given to it to exchange property, and to accumulate interest for its use, no one would have occasion for more gold than he needed for utensils and ornaments, more than he would for more clothes than he could wear, or more tools than he could use. It would have been subjected to the same laws of trade as other merchandise, and must have waited a demand for consumption before it could have been sold. It is clear that gold possesses no peculiar or inherent excellence to endow it with power to determine the value and control the use of all other things. But when it is made the agent of these legal powers, it becomes necessary to acquire the gold in order to discharge debts; and the quantity of the metal being limited, its owners are enabled to extort from the necessitous a very high price for its use. If gold were not used as the material of the currency, its abundance would cause no inflation of business, nor would its scarcity produce distress, because, compared with other metals, its use is very limited.

The following statement will show the different effects upon our own people from the use of the precious metals as utensils, and their use as the material of money. All will probably admit that there are twelve thousand families in the city of New York, owning, on an average, $800 worth of gold and silver ware, such as tea, coffee, and dinner services, vases, ornaments, &c. Including jewelry, the amount of the metals would probably far exceed the sum named. But calculating the twelve thousand families to own $800 worth each, they will own, in the aggregate, $9,600,000; while, according to the bank reports, the specie in all the banks in the State of New York on the 1st day of November, 1846, amounted to but

$8,048,348. Suppose the twelve thousand families owning these silver and gold utensils and ornaments, should collect them together next week, and ship them to England. The shipping of these wares would have no more effect upon the monetary affairs of the State or nation, nor upon business, than the shipping of the same amount in cotton and tobacco.

But let the people drain the $8,048,348 of coins from the banks next week, and ship them abroad, and what would be the effect upon our monetary affairs, our business and our labor? The banks throughout the State, and throughout the United States, would be compelled to suspend specie payments, and hundreds of thousands of our people would be broken up and thrown out of employment. Yet, by shipping the gold and silver wares, more than one million and a half more of the precious metals would leave the country, than by shipping the coins. The shipment of the smaller amount would shake the country to its centre, while the shipment of the larger amount, could not unfavorably affect business. Yet the gold and silver utensils and ornaments are more in use than the coins; for the coins are mostly in kegs and boxes in the vaults of banks, and if they are moved at all, it is usually from the vault of one bank to that of another, without even emptying them from the kegs. If money is merchandise, why would not the shipment of the gold and silver utensils affect the business of the nation, as much as the shipment of the coins? The same twelve thousand families are doubtless at this time the owners of a much larger amount of the capital stocks of the banks than the $9,600,000; and if they choose, can at any time sell stock enough to draw all the specie from the banks, and can thus cause a suspension of payments, and distress producers, even without shipping the specie.

If the value of money inhere in the precious metals, so that a certain weight naturally possesses a certain amount of power to exchange property, and still is itself a commodity, the value of which is fixed by law, other commodities made of the same naturally precious metals, watch-cases, spoons, &c., should likewise be subject to governmental scrutiny and restriction, that the public may not be imposed upon in the receipt of them by any mixture of alloy. If money be a commodity, why do governments pretend to fix a value upon coins, and not upon any other commodity, although it be made of gold or silver? If a definite value be assigned to one commodity by legal enactment, a definite value should also be legally assigned to every other commodity, that each may sustain a just relation, according to the amount of labor necessary to manufacture or produce it. If money be a commodity, goods sold might as well be made payable in other merchandise or produce, sugar, beef, &c., as in money. Why not as well sell money on time payable in goods, as goods on time payable in money? If money be merchandise, why is it, that it can be at all times exchanged, in any part of the country, even when all other more necessary commodities are esteemed almost worthless, compared with it? It is answered, that it is because it is made by law a legal tender in payment for debts—that it has this superiority over every other commodity. But the very answer proves that it is not a commodity; for a legal tender is a creation by law of certain properties which do not naturally belong to any substance, but which are made to represent all substances, and to control their exchange.

It is sometimes said, that commodities are currency as much as money, because they can be and are exchanged for it. But though a bushel of wheat may be exchanged for money, it does not possess any of the legal and distinctive properties of money. The wheat does not become currency more than a watch would become land by being given in exchange for land.

Some argue that the dollar derives its value from the labor required to mine and coin the silver for it. They say that if a day's labor be required to mine the silver for a dollar, and a day's labor be required to raise a bushel of wheat, the silver and the wheat are of equal worth, and that the legal acts of government cannot alter the value of either. But if the equal amount of labor expended make the dollar and the wheat of equal value, why will the dollar at certain periods buy two or three times more wheat, or more labor, than it will at other periods? Why does not the value of labor and of wheat, increase equally with the value of the dollar?

When the products of labor command a high price, labor also commands a high price. A given quantity of wheat or of other products will pay for nearly the same amount of labor every year. But if the price of products be low, the employer cannot pay to labor a high price in money. In seasons of depressed prices, a dollar will purchase double, treble, or quadruple the amount of labor that it ordinarily will. and this difference occurs when no more labor is required to mine and coin the silver. Let those who maintain the theory, that the labor required to procure money constitutes its value, account, if they can, for these facts, so as to satisfy laborers and producers, the reward of whose labor, and the price and sale of whose products it so nearly affects.

Money is said to be intrinsically worth as much as the property it will purchase. But it is as impossible that ten pounds weight of gold should possess as great actual value as the four thousand bushels of corn, or four thousand days' labor which the gold will purchase, as that a small quantity of poison should be of as great value as the corn or labor, because poison is frequently necessary as a medicine to restore man to soundness and health. As many elements for the support of man exist in the poison, as in the money. Both are useful in their spheres, the former to remove obstructions to health, the latter to facilitate the exchange of products. Poison is of little value compared with food; and money is as little valuable compared with property. It would be as reasonable to esteem the comet which appears once in a century, more valuable to us than the sun that daily sheds its fertilizing beams upon the earth, as to esteem the actual value of gold and silver equivalent to that of all the necessaries of life. If the quantity of gold were unlimited, not a thousandth part as much of it would be used as of iron. The notion that gold and silver are endowed by the Creator with some mysterious value and capabilities, which render them of greater importance than the common products of labor, is an erroneous and pernicious one. Legal enactments cannot alter the inherent properties of metals.

The common opinion that the material of a currency must be something scarce and difficult to procure, that the limited amount may render it permanently valuable, arises from a misconception of the nature of money, the properties of which are entirely independent of the material. Money consists in the legal powers to represent, measure, accumulate, and exchange. It receives its powers from law. If gold and silver should become as abundant as iron and lead, the only difficulty in maintaining them the materials of a currency, would be the difficulty of protecting them from counterfeit. If they could be protected, it would be as unnecessary to abandon them for a currency on account of their abundance, as to abandon the use of paper in making obligations, because more exists than can be used for that purpose. If the quantity of gold and silver were unlimited, and that part of it which was needed for a currency were made a lien upon and representative of property, there would be nearly as great a difference between the value of the metals so used and bullion, as there now is between a paper obligation that is a lien upon valuable property, and a piece of blank paper.

For ages gold and silver have been esteemed precious metals, containing a large amount of intrinsic value, although their inadequacy to supply natural wants is manifest, by supposing a man, with a bag of coins, on a desert island, and without the power to exchange them for other articles. These metals have intrinsic, or actual value, and this value consists in their utility for utensils and ornaments; their malleability, ductility and beauty rendering them, for some purposes, superior to all other metals. But it will be confessed, that we could more easily dispense with them, than with any of the more abundant metals, which are in more general and constant use, and the loss of which would seriously impair our comfort.

In early ages, gold and silver were, doubtless, selected for the material of money on account of their scarcity, and the amount of labor necessary to procure them; the same reason that led the American Indians to select the beaver-skin for a standard of value, by which the value of all other skins and commodities was estimated. It has been already explained, that gold and silver, when used as money, cease to have any other use. These metals have, however, received a governmental sanction, as the material of money. The laws require that coins used as a public tender shall contain a certain weight of the authorized metal—without which, they are illegal, and cannot be enforced as a tender. But the only reason that they are not received is, that they are unsanctioned by law. If coins of base metal were endowed by law with the properties of money—that is, were made representatives of actual value, capable of accumulating by interest, and a public tender for debts, they would answer every purpose of money equally well with coins of pure metal. They could represent, measure, accumulate, and exchange property, and these are the sole properties and uses of money. Therefore, they would be money, for anything that possesses the properties of money, without division, subtraction, or increase, *is* money. But if the metal were used for purposes of dentistry, the difference between the pure and the base would at once appear; for the metal would then be used otherwise than as the material of money, and its utility would not depend upon its legal powers, but upon its natural capabilities as a metal.

The value of money, then, depends upon its powers to represent, measure, accumulate, and exchange value. These powers, given to any convenient material by Congressional enactment, will prepare and qualify it for a medium of exchange, and in every particular constitute it money.

10

CHAPTER III.

THE RATES OF INTEREST THE GOVERNING POWER OF DISTRIBUTION TO LABOR AND CAPITAL.

SECTION I.

THE POWER OF CAPITAL TO ACCUMULATE PROPERTY AND LABOR ACCORDING TO THE RATE OF INTEREST.

In the introduction, labor was said to be the chief producer of wealth, and the preceding chapter has been devoted to the consideration of the nature and powers of money. The present chapter will exhibit the laws which govern distribution, and will show the practical effects of certain rates of interest upon producers.

The Constitution of the United States, Act I., Sec. VIII. 5., declares, "The Congress shall have power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." Money is the legal standard of value, by which the value of all articles for sale must be determined. The rate of interest fixes the value of money. Its value is not fixed by the quantity or the quality of the material, more than the size of the bushel is fixed by the quantity and quality of the wood. The rate of interest maintained upon loans of money, determines what proportion of the earnings of labor shall be paid for the use of capital, and what proportion shall be paid to the laborers for their productions. If interest on money be maintained at a high-rate, rents on property will also be high.

There are but two purposes to which the yearly products of labor can be applied. One is the payment of the yearly rent or interest on the capital employed, and the other is the payment of labor. If laborers pay to capital, as use or interest for the year, their whole surplus products, the laborers, as a body, work merely for a subsistence, and the capital takes their whole surplus earnings. The laborer receives for his year's toil, food, clothing, and shelter only, and these, perhaps, of the poorest kind; while the capitalist lives in luxury, increases the number of his bonds and mortgages, or with his income buys land or builds houses to let, which will, in succeeding years, take a still greater sum from the laborer. The law of interest, or per centage on money, as much governs the rent or use of all property, and consequently the reward of labor, as the law of gravitation governs the descent of water. If interest on money be too high, a few owners of capital will inevitably accumulate the wealth or products of the many. No body of men can, by labor, offer successful resistance to accumulation by the law of interest, more than they can by labor alter the effect of the law of gravitation. The evil is legislative, and tho remedy must be legislative.

Money loaned on interest, or invested in property, is doubled in a certain length of time, according to the rate of interest charged. When this rate is too high, it requires the principal to be doubled in so short a time, that the borrower is compelled to give all his surplus products as interest or rent on the capital; whereas, justice requires that he should pay for its use only a moderate per centage, and himself retain the chief surplus of his labor.

The following illustration, calculating property to accumulate or double at certain rates of yearly per centage, in the same manner as money, will clearly exhibit the various results to laborers from various rates of interest. A., B., and C., are young men, who have just come of age. C. is heir to $10,000, while A. and B. are mechanics, without capital. C. contracts with A. and B. to build a house which shall cost $5,000, on a lot for which he paid $5,000. The house and lot together are worth $10,000. C. leases this property to A. and B., and charges them seven per cent upon its cost, clear of insurance, taxes, and repairs. The interest is payable once a quarter. A rate of interest of seven per cent per annum, paid quarterly, will accumulate a sum equal to the principal loaned or invested in property in ten years. In this period, A. and B. are compelled to buy another lot, build upon it another as good a house, and pay the lot and house to C. for the use of the house they occupy. In twenty years, if A. and B. retain the use of the house and its accruing rents, they must pay C. three houses; in thirty years, they must pay him seven houses; in forty years, fifteen houses; in fifty years, thirty-one houses; in sixty years, sixty-three houses; and in seventy years, one hundred and twenty-seven houses. In seventy years all these are built by A. and B., and paid to C. for the use, or as the accumulation on the one that he leased to them. The one hundred and twenty-seven lots which A. and B. earn the money to buy, cost $635,000, and the buildings cost an equal amount, making together, $1,270,000; which sum is paid to C. for seventy years' rent of one house and lot worth $10,000. At the expiration of the lease, the original house must be returned to its owner, as well as the rent. If, instead of being invested in the house and lot, the $10,000 were loaned on interest at seven per cent, and the interest were collected and re-loaned quarterly, the money would accumulate in a given period precisely the same amount as the property.

Now, suppose interest to be at three per cent per annum, and A. and B. to build the house, and pay C. three per cent annually on its cost of $10,000. This is $300, instead of $700 a year; and, at this rate, the interest on money collected and re-loaned quarterly, requires nearly twenty-four years to accumulate a sum equal to the principal. Therefore, in twenty-four years A. and B. would give C. another house; and, in seventy-two years, seven houses, instead of one hundred and twenty-seven, which they are compelled to do at seven per cent interest. The labor of building the houses is neither increased by a high rate, nor diminished by a low rate of interest.

If C. let his house to A. and B. at six per cent, in about twelve years the income or rent will equal the principal; therefore, at the expiration of that period, A. and B. must pay C. another house, and, in twenty-four years, they must pay him three houses. But if C. lease the house to them for twenty-four years at three per cent, A. and B. return him his house, adding one to it as its rent, and retain two houses as their own surplus. With interest at three per cent, in twenty-four years A. and B. would each own a house and lot worth $10,000; while, with the interest on money loaned or invested in property at six per cent, both would still be tenants, although they would have performed, in both cases, the same amount of labor. With interest at three per cent, in forty-eight years they would give C. three houses, instead of fifteen, as at six per cent, and they would own twelve as the surplus product of their labor. But at six per cent, C.'s capital would compel A. and B. to continue his tenants, and to build for him sixteen houses more during the next twelve years.

Take another example of the accumulation of property at seven per cent interest. At the age of twenty-one, D. owns a well improved farm of one hundred acres. He leases it to E. at an interest of seven per cent, payable in land, as the interest on money is payable in money. At the close of the year, E. pays D. seven acres of as good quality as the one hundred rented, and with a *pro rata* proportion of buildings upon them. D. continues to lease the farm to E., requiring him to pay the rent in land half yearly, as interest on money is paid half yearly in money; and to pay rent on the land so paid, as the borrower of money pays interest on the interest which he adds half yearly to the principal. In ten years, E. must pay one farm; in twenty years, three farms; in thirty years, seven farms; in forty years, fifteen farms; in fifty years, thirty-one farms; in sixty years, sixty-three farms; and in seventy years, one hundred and twenty-seven farms; all as highly cultivated as the one originally leased. At the age of ninety-one, D. can bequeath to his posterity one hundred and twenty-seven farms, from the mere rent on one. These farms E. must earn by the labor of seventy years, and pay to D. for the use of one farm. If he could perform the labor to gain one hundred and twenty-seven farms to pay to D. in rent, and the interest or rent were reduced to one per cent, in seventy years he would pay to D. only about one farm as rent, and would retain one hundred and twenty-six as the surplus of his labor.

The following statement shows the effect upon producers of a rate of interest on capital of six per cent per annum. The yearly income of our most wealthy citizen from dividends on state, bank, and other stocks, money loaned on bonds and mortgages, and rents of property, is said to amount to $2,000,000. Take the farmers of the six New England States, include those of New York and New Jersey, and it is very doubtful whether, after paying necessary expenses, each makes a yearly gain of more than one hundred dollars. This calculation would require the use of twenty thousand farms, and the surplus earnings of twenty thousand farmers and their families, to clear $2,000,000 a year. However difficult it might be to trace the ways and means by which this income is gathered, it takes $2,000,000 worth of the surplus products of labor to pay the legal accumulation on the capital. Suppose able-bodied men to earn one dollar per day, for an average of two hundred and seventy-five days in each year—i. e., $275. Two millions of dollars would annually hire and pay for the labor of seven thousand two hundred and seventy-six men. Allow the receiver of the income to expend yearly, for his own support, as much as seventy-three laborers earn, and he will still receive a clear gain of $1,980,000 yearly, the entire earnings of seven thousand two hundred and three men. Calculate the interest on

$1,980,000 at six per cent, and the next year it will make an addition to his income of $118,800; which sum would pay for the labor of four hundred and thirty-two men, in addition to the number employed in the preceding year.

What is the probable surplus that each of these laboring men would yearly retain, after deducting from the $275 their own expenses, and those of their families? Can any laboring community be prosperous, and pay so great an amount of interest on capital? The legal power of capital to accumulate an undue rate of interest, compels these laborers to give all their surplus products to one man for the use of capital, while they and their families are deprived of a good subsistence, and are obliged continually to increase that capital, which yearly exercises a greater power over their labor.

In order that the power of the ordinary rates of interest to concentrate property in the hands of capitalists may be more clearly seen, in the following illustrations the contracts shall be based upon wheat instead of upon money. Take the yearly income of Mr. A., say $2,000,000. If his money be loaned, or his property be leased at six per cent on its valuation, he must be worth thirty-three and a third millions of dollars. Suppose Mr. A., instead, to be worth thirty-three and a third millions of bushels of wheat. Let him lend the wheat instead of the money at six per cent, and the interest will be precisely two millions of bushels. The farmers who borrow the wheat, and give their bonds and mortgages upon their farms to secure the payment of the principal and the interest, must sow, reap, and thrash out two millions of bushels, transport them to New York, and put them into Mr. A's storehouses, to pay the interest for one year. What a pile of wheat is this for one man's use, gained, too, without his sowing or harvesting a bushel of it. Suppose the interest to be at one per cent, instead of at six per cent, and Mr. A. to lend these same farmers the thirty-three and a third millions of bushels of wheat at this per centage ; at the end of the year they will have to pay him only three hundred and thirty-three thousand three hundred and thirty-three and a third bushels of wheat, to satisfy the interest. The farmers will then retain one million six hundred and sixty-six thousand six hundred and sixty-six and two-third bushels for their own use, or to sell to others, or to pay toward the liquidation of the principal of the debt. With interest at one per cent, they will as much satisfy Mr. A.'s yearly claims, by paying him three hundred and thirty-three thousand three hundred and thirty-three and a third bushels of wheat, as they would at an interest of six per cent, by paying two millions of bushels. If each acre of land produce fifteen bushels of wheat, and the farmers cultivate on an average ten acres each, it will take the labor of thirteen thousand three hundred and thirty-three farmers, and the use of one hundred and thirty-three thousand three hundred and thirty-three and a third acres of land to pay the yearly interest of six per cent on the thirty-three and a third millions of bushels of wheat borrowed of Mr. A. But if interest be at one per cent, and the farmers continue to pay Mr. A. the two millions of bushels yearly, in eighteen years and four months they will pay off both the principal and the interest of the debt.

Suppose the farmers to pay six per cent interest, i. e., two millions of bushels of wheat on the loan for twenty years, they will pay forty millions of bushels to satisfy the interest, and will still owe the thirty-three and a third millions principal. The following table shows the result at the end of twenty years, if Mr. A., as he yearly receives the two millions of bushels of wheat from the farmers, should lend them out to mechanics at six per cent interest.

TABLE

OF THE ACCUMULATION OF PRODUCTS AT SIX PER CENT INTEREST.

						Bushels of wheat.
1st year Mr. A. collects from the farmers and loans to mechanics............						2,000,000
1st year's interest at 6 per cent on 2 millions paid by mechanics............						120,000
						2,120,000
2d	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						4,120,000
2d	"	"	2	"	mechanics............	247,200
						4,367,200
3d	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						6,367,200
3d	"	"	2	"	mechanics............	382,032
						6,749,232
4th	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						8,749,232
4th	"	"	2	"	mechanics............	524,954
						9,274,186
5th	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						11,274,186
5th	"	"	2	"	mechanics............	676,451
						11,950,637
6th	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						13,950,637
6th	"	"	2	"	mechanics............	837,038
						14,787,675
7th	"	"	$33\frac{1}{3}$	"	farmers................	2,000,000
						16,787,675
7th	"	"	2	"	mechanics............	1,007,260
						17,794,935

						Bushels of wheat.
8th year Mr. A. collects from the farmers and loans to mechanics						17,794,935
8th year's interest at 6 per cent on 33⅓ millions paid by farmers						2,000,000
						19,794,935
8th	"	"	2	"	mechanics	1,187,696
						20,982,631
9th	"	"	33⅓	"	farmers	2,000,000
						22,982,631
9th	"	"	2	"	mechanics	1,378,957
						24,361,588
10th	"	"	33⅓	"	farmers	2,000,000
						26,361,588
10th	"	"	2	"	mechanics	1,581,696
						27,943,284
11th	"	"	33⅓	"	farmers	2,000,000
						29,943,284
11th	"	"	2	"	mechanics	1,796,597
						31,739,881
12th	"	"	33⅓	"	farmers	2,000,000
						33,739,881
12th	"	"	2	"	mechanics	2,024,393
						35,764,274
13th	"	"	33⅓	"	farmers	2,000,000
						37,764,274
13th	"	"	2	"	mechanics	2,265,856
						40,030,130
14th	"	"	33⅓	"	farmers	2,000,000
						42,030,130
14th	"	"	2	"	mechanics	2,521,808
						44,551,938
15th	"	"	33⅓	"	farmers	2,000,000
						46,551,938
15th	"	"	2	"	mechanics	2,793,116
						49,345,054
16th	"	"	33⅓	"	farmers	2,000,000
						51,345,054
16th	"	"	2	"	mechanics	3,080,703
						54,425,757
17th	"	"	33⅓	"	farmers	2,000,000
						56,425,757

						Bushels of wheat.
17th year Mr. A. collects from the farmers and loans to mechanics............						56,425,757
17th year's interest at 6 per cent on 2 millions paid by mechanics..............						3,385,546
						59,811,303
18th	"	"	33⅓	"	farmers.................	2,000,000
						61,811,303
18th	"	"	2	"	mechanics............	3,708,678
						65,519,981
19th	"	"	33⅓	"	farmers................	2,000,000
						67,519,981
19th	"	"	2	"	mechanics............	4,051,199
						71,571,180
20th	"	"	33⅓	"	farmers................	2,000,000
						73,571,180

In twenty years, the interest on thirty-three and a third millions of bushels of wheat, at six per cent, accumulates to seventy three millions five hundred and seventy-one thousand one hundred and eighty bushels. The interest on this interest, for a year, amounts to four millions four hundred and fourteen thousand two hundred and seventy bushels; and this would be yearly due from the mechanics. If the mechanics, instead of paying the interest in wheat, should pay it in manufactured articles, they would pile up an enormous quantity of goods in Mr. A.'s storehouses for his yearly use, and Mr. A. would still receive two millions of bushels of wheat yearly from the farmers. With interest at six per cent, at the end of twenty years, the farmers would owe Mr. A. the thirty-three millions three hundred and thirty-three thousand three hundred and thirty-three and a third bushels of wheat; and the mechanics would owe him seventy-three millions five hundred and seventy-one thousand one hundred and eighty bushels—together, one hundred and six millions nine hundred and four thousand five hundred and thirteen bushels. They would owe Mr. A. just the same amount of wheat that they would owe him of money, if they had borrowed the thirty-three and a third millions of dollars, and paid interest thereon at six per cent.

The following table will exhibit the indebtedness of the people to Mr. A. at the end of the twenty years, if he should lend the thirty-three and a third millions of bushels of wheat to the farmers at *one* per cent, instead of at six per cent; and should, during the twenty years, collect the interest yearly from the farmers and loan it to mechanics; and then yearly collect the interest from the mechanics, and loan it to other mechanics at one per cent. The interest on thirty-three and a third millions at one per cent amounts to three hundred and thirty-three thousand three hundred and thirty-three and a third bushels yearly.

TABLE

OF THE ACCUMULATION OF PRODUCTS AT ONE PER CENT INTEREST.

						Bushels of wheat.
1st year Mr. A. collects from the farmers and loans to mechanics......						333,333
1st year's interest at one per cent on			333,333⅓	bushels, paid by	mechanics...	3,333
						336,666
2d	"	"	33,333,333⅓	"	farmers......	333,333
						669,999
2d	"	"	333,333⅓	"	mechanics...	6,700
						676,699
3d	"	"	33,333,333⅓	"	farmers......	333,334
						1,010,033
3d	"	"	333,333⅓	"	mechanics...	10,100
						1,020,133
4th	"	"	33,333,333⅓	"	farmers......	333,333
						1,353,466
4th	"	"	333,333⅓	"	mechanics..	13,535
						1,367,001
5th	"	"	33,333,333⅓	"	farmers......	333,333
						1,700,334

						Bushels of wheat.
5th year Mr A. collects from the farmers and loans to mechanics...............						1,700,334
5th year's interest at 1 per cent on			333,333⅓	bushels paid by	mechanics..	17,003
						1,717,337
6th	"	"	33,333,333⅓	"	farmers......	333,334
						2,050,671
6th	"	"	333,333⅓	"	mechanics..	20,507
						2,071,178
7th	"	"	33,333,333⅓	"	farmers......	333,333
						2,404,511
7th	"	"	333,333⅓	"	mechanics..	24,045
						2,428,556
8th	"	"	33,333,333⅓	"	farmers......	333,333
						2,761,889
8th	"	"	333,333⅓	"	mechanics..	27,619
						2,789,508
9th	"	"	33,333,333⅓	"	farmers......	333,334
						3,122,842
9th	"	"	333,333⅓	"	mechanics..	31,228
						3,154,070
10th	"	"	33,333,333⅓	"	farmers......	333,333
						3,487,403
10th	"	"	333,333⅓	"	mechanics..	34,874
						3,522,277
11th	"	"	33,333,333⅓	"	farmers......	333,333
						3,855,610
11th	"	"	333,333⅓	"	mechanics..	38,556
						3,894,166
12th	"	"	33,333,333⅓	"	farmers......	333,334
						4,227,500
12th	"	"	333,333⅓	"	mechanics..	42,275
						4,269,775
13th	"	"	33,333,333⅓	"	farmers......	333,333
						4,603,108
13th	"	"	333,333⅓	"	mechanics..	46,031
						4,649,139
14th	"	"	33,333,333⅓	"	farmers......	333,333
						4,982,472
14th	"	"	333,333⅓	"	mechanics..	49,825
						5,032,297

						Bushels of wheat.
15th year Mr. A. collects from the farmers and loans to mechanics						5,032,297
15th year's interest at 1 per cent on			33,333,333⅓	bushels paid by	farmers......	333,334
						5,365,631
15th	"	"	333,333⅓	"	mechanics..	53,656
						5,419,287
16th	"	"	33,333,333⅓	"	farmers......	333,333
						5,752,620
16th	"	"	333,333⅓	"	mechanics..	57,526
						5,810,146
17th	"	"	33,333,333⅓	"	farmers......	333,333
						6,143,479
17th	"	"	333,333⅓	"	mechanics..	61,435
						6,204,914
18th	"	"	33,333,333⅓	"	farmers......	333,334
						6,538,248
18th	"	"	333,333⅓	"	mechanics..	65,382
						6,603,630
19th	"	"	33,333,333⅓	"	farmers......	333,333
						6,936,963
19th	"	"	333,333⅓	"	mechanics..	69,370
						7,006,333
20th	"	"	33,333,333⅓	"	farmers......	333,333
						7,339,666

If Mr. A should loan his thirty-three and a third millions of bushels of wheat to the farmers at one per cent, and yearly collect and re-loan the interest to mechanics, and then collect and re-loan it at one per cent, at the end of twenty years, the mechanics would be indebted to him seven millions three hundred and thirty-nine thousand six hundred and sixty-six bushels, instead of being indebted to him seventy-three millions three hundred and seventy-one thousand one hundred and eighty bushels. The farmers would owe him thirty-three millions three hundred and thirty-three thousand three hundred and thirty-three and a third bushels, and the mechanics would owe him seven millions three hundred and thirty-nine thousand six hundred and sixty-six—together, forty millions six hundred and seventy-two thousand nine hundred and ninety-nine bushels. Deduct this sum from the one hundred and six millions nine hundred and four thousand five hundred and thirteen bushels, which he would accumulate by an interest of six per cent on his loan, and there remains a balance of sixty-six millions two hundred and thirty-one thousand five hundred and fourteen bushels, which would be saved by the mechanics and farmers at one per cent interest. The increased indebtedness of the people at six per cent, i. e., an increase of sixty-six millions two hundred and thirty-one thousand five hundred and fourteen bushels, is a clear gain to Mr. A., without any production on his part.

It will be hereafter shown that the interest may be easily reduced to one per cent, or to any other per cent that shall be deemed most conducive to the general welfare; and if the people think it more just that the interest should cease to accumulate wealth so rapidly into a few hands, they will enact laws to prevent it. If they will stop such accumulation by interest, they will live upon the products of their own labor, instead of living upon the charity of capitalists. If in twenty years Mr. A. should bestow on the needy $66,231,514, or the same number of bushels of wheat, it would be an unheard-of liberality. But if the law of interest were such that he could not legally take this amount from the people, they would retain it in their own possession, as the natural product of their labor, instead of being compelled to receive it as a charity.

Mr. A. now uses the most of his capital by investing it in State and other stocks, buying business notes at large discounts, loaning money on bond and mortgage, buying up mortgages bearing seven per cent interest below their par value, purchasing property under foreclosure, &c. Doubtless his object is to obtain the best possible per centage income for the use of his money or property. All that he gains by these means above six per cent interest, takes a still greater sum from the earnings of producers.

Now suppose from this time forward Mr. A. should determine to pursue a different course, and to lay out his capital in such a manner as to conduce in the highest degree to the welfare of the people around him. To support them in idleness would be a disadvantage; but to employ them and pay for their work such a price as would give them a good subsistence, and furnish them with the means of educating their children, and to provide for the aged and needy, would be a very benevolent disposition of his property. To do this he invests all his property in the manufacture of cotton goods. With thirty-three and a third millions of dollars he could carry on an extensive business. He builds his manufactories, and purchases machinery. He contracts with a number of planters to supply him for a certain number of years with a given quantity of cotton. He also contracts with workmen to perform the labor in his mills, and agrees to give to all such prices as will afford them and their families a comfortable subsistence, make suitable provision for the education of their children, and support those who are unable to work and dependent upon them. The cotton will, of course, be always furnished at a uniform price, and the price of labor will be about the same each year. Mr. A. now fixes the prices of his goods so as to sustain the various people in his employment. Let Mr. A. invest all his means in mills, in stock, and labor, on these terms, while planters hire their plantations, and the mechanics, manufacturers and laborers hire houses to live in, &c., from others, while employed by Mr. A., and it will be impossible for him, with all his capital, to sustain himself. In a very few years he will become bankrupt, for he must enable his workmen to pay their rents, and give them, beside, a comfortable support. This obliges him to use his own property at a low rate of interest, while, through his workmen, he is compelled to pay a high rate of rent, or interest, for the use of the property of others. The operation is, virtually, that the owner of thirty-three and a third millions of dollars borrows an equal or large amount at six, seven, or eight per cent interest, and re-loans the borrowed money, together with his own, at an interest of one, or one and a quarter per cent. By so doing, his fortune will soon pass into the hands of other capitalists.

The present monetary laws of all nations are opposed to the reward of labor; and as long as these laws exist, no individual or national attempts justly to reward it, except by a change of these laws, can secure any permanent success.

SECTION II.

OF THE WEALTH OF CITIES, AND THE MEANS OF ITS ACCUMULATION.

The following illustration shows the capability of money, at an interest of six per cent per annum, to concentrate the wealth of nations in large cities.

Suppose an uncultivated island, ten miles square, and a few miles distant from the coast of the United States. Ten thousand wealthy citizens of the States intend to build a city upon it. These citizens are worth $150,000 each; in the aggregate, $1,500,000,000. The legal interest on money is fixed at six per cent per annum. For two years previous to their removal to the island, the people prepare upon it houses for themselves, and suitable accommodations for merchants and mechanics. Each of these families expends $3,000 yearly for its support. Each family being worth $150,000, the interest on which, at six per cent, would be $9,000, each has an income of $6,000 a year, over and above expenses. They expend their surplus income for two years, i. e., $12,000 for each family; in the aggregate $120,000,000, in making improvements on the island. They dispose of their property, on the main land, on credit, securing it by bonds and mortgages, State stocks, or otherwise, so that they ensure an interest of six per cent per annum, on the whole amount of their property, payable half yearly. These obligations merely represent the value of the property they leave upon the mainland, and must yield an income from the products of the land and of the labor of the purchasers. The annual interest on $1,500,000,000, amounts to $90,000,000. The paper obligations held by the creditors legally empower them to demand an interest of $90,000,000 in specie. The mere giving of obligations is all that is required in the transfer of property. The conversion of their property into bonds and mortgages, and other securities, may not have required the use of a million of dollars of money. But the payment of both principal and interest must be made in money.

The ten thousand families contain, on an average, five persons each, making, in the aggregate, a population of fifty thousand. They employ, on an average, three domestics in each family, increasing the population to eighty thousand. The yearly expenses of each family amount to $3,000; or, for the whole, to $30,000,000. Hatters, tailors, shoemakers, cabinet-makers, mechanics of every sort collect about them to supply their wants, and receive the sums which they expend in living. More than fifty thousand laborers and artisans are needed to supply their wants. In a few years the concentration of capital collects a city of three or four hundred thousand inhabitants. They expend $30,000,000 yearly, and draw beside, from the people of the main land, a clear income of $60,000,000 a year, which they can re-loan. The debtors cannot send the $60,000,000 in money, and are therefore obliged to send the products of the soil, manufactured articles, &c., to this city for sale, to procure money to meet their payments of interest. The city soon becomes the market-place of the nation, and engrosses the principal business.

The people are astonished at its wealth and prosperity, and congratulate themselves on having so fine a market for their products.

In the course of a century or two, the ten thousand families and their descendants can, if they choose, without labor on their part, build a wall around their city as high and as broad as the walls of ancient Babylon. Meanwhile, the people upon the main land are obliged to supply all the wants, the food, clothing, &c., not only of the ten thousand families and their descendants who do no work, but also of the laborers employed in the erection of the wall, in the building of houses, and in all other improvements. Producers and manufacturers from different parts of the country carry their goods to the city, and the citizens, after selecting the choicest for their own use, re-sell the remainder to laborers, who are only able to purchase the poorer kinds. If an account were kept of those sold to the country, it would be found that they were minus nearly the whole support of the people of the city. Now what compensation is received by the people of the main land for the supplies which they furnish? The citizens, indeed, pay money for the supplies, but this money is the interest on capital loaned to the people, without whose labor it would have been useless. It is in this manner, under the present monetary laws of the United States, a few wealthy men in cities engross the wealth of the country.

If the interest in the case supposed were limited to one per cent, the income for each family would be only \$1,500, or one-half of what they each year expend; consequently, they must either labor for the other half, or take a portion of their principal each year for their support. It would, therefore, be impossible for them to build or support such a city.

The ten thousand most wealthy men in the United States are probably worth, on an average, at least $300,000 —in the aggregate $3,000,000,000. The annual interest on this sum at six per cent would be $180,000,000. If these men should sell their property, and invest the proceeds in bonds and mortgages bearing six per cent interest per annum, and remove from the country, they would impose a tribute on the productive industry of the nation which would impoverish it for ages. It is doubtful whether the people would ever be able to pay and satisfy the interest and principal of the debt. They would pay $180,000,000 of their products yearly, without receiving any equivalent. And yet, without the labor of the buyers or borrowers, the property would be useless; and if the owners received any benefit from it, they would be obliged to remain and cultivate it themselves. Should laws be such, that ten thousand wealthy men leaving their country, could impose such a burden upon the millions left behind? If interest were reduced to one per cent, and the ten thousand men should sell their property, leaving the proceeds on interest at one per cent, this nation would pay them $30,000,000 interest annually. And this would be quite enough for producers to pay for the use of capital.

To show conclusively that the present rates of interest are the cause of the accumulation of wealth in cities, we will enter at length into a calculation which each can test and examine for himself.

No one will dispute, that in the city of New York there are several hundred families whose collective wealth is equal to $250,000 for each family. For our illustration, however, we will take but one hundred families, and suppose each of them to be worth equal to $250,000—in total, $25,000,000. As five or six of our citizens might be pointed out, who are, in the aggregate, worth at least double the sum total, this calculation is a moderate one. Suppose these one hundred families to emigrate to some desirable section of the country, and settle upon two hundred acres of land, so that each family owns two acres. They convert all their property into money, or into bonds and mortgages bearing six per cent interest, the lowest legal rate of interest in any State of the Union. Each family expends yearly for its support $3,000, or the interest at six per cent on $50,000. This sum would supply each family with the necessaries and luxuries of life, without the performance of labor by any of its members. Besides the $50,000 of which they expend the income, each family has $200,000, in the aggregate, $20,000,000, loaned at six per cent interest, the annual income of which would be $1,200,000. The yearly expenditure of $300,000 (the interest on $50,000 for each family) soon collects near them merchants, mechanics, laborers, and others, to supply their wants; and farmers find here a market for their produce.

These families and their posterity live without labor, being determined to incur no hazard of business. They intermarry for five generations, thirty years being the average duration of each. Upon marriage, each couple receives $50,000, the income on which, at six per cent, amounting to $3,000 a year, is appropriated to their support. They also receive their average proportion of the principal. They are forbidden to exact a higher rate of interest than six per cent per annum, payable half-yearly; and are not at liberty to call in the principal so long as the interest upon it is regularly paid. The families consist of five persons each, exclusive of servants, amounting, in the aggregate, to five hundred individuals. Suppose them to increase twenty-five per cent every twelve and a half years. Each family at the emigration had $200,000 loaned at six per cent interest, amounting to $12,000 per annum; and, in the aggregate, on the $20,000,000 owned by all, to $1,200,000 per annum. This interest, collected and re-loaned half-yearly, will double the principal, $20,000,000, in about eleven and three-quarter years; but, to leave time for the collection and re-investment of the interest, allow it twelve and a half years to double. The following calculations exhibit the sum which would be owned by the families at the end of five generations of thirty years each, or at the end of one hundred and fifty years. This calculation of the accumulation of wealth by interest is no idle theory, but a mathematical demonstration of facts, based upon the lowest rate of interest established by law in any State—a much lower rate, too, than the average one at which money is actually loaned.

The following table exhibits the accumulation at the rate, and under the circumstances, as above:—

TABLE

OF THE INCREASE AT SIX PER CENT OF THE WEALTH OF A HUNDRED FAMILIES WORTH $250,000 EACH, DURING A PERIOD OF ONE HUNDRED AND FIFTY YEARS, WITH A DEDUCTION OF THEIR ANNUAL EXPENSES.

100 families worth $250,000 each	$25,000,000
Yearly expenses of each family, $3,000, or the income on $50,000 at six per cent—total for 100 families	5,000,000
Deduct $5,000,000 for expenses, and there are left to accumulate	20,000,000

The interest at six per cent paid half yearly, and re-loaned, will equal the principal in 11¾ years; but allow 12½ years, and then add	$20,000,000
	40,000,000
Add 25 per cent increase to 100 families in 12½ years—i. e., 25 families, and deduct $50,000 for the support of each of the 25....................	1,250,000
Left to accumulate..	38,750,000
Add 12½ years' interest, at 6 per cent..	38,750,000
	77,500,000
Add 25 per cent increase to 125 families—i. e., 31 families, and deduct $50,000 for each of the 31............	1,550,000
Left to accumulate..	75,950,000
Add 12½ years' interest at 6 per cent...	75,950,000
	150,900,000
Add 25 per cent to 156 families—i. e., 39 families, and deduct $50,000 for each of the 39..	1,950,000
Left to accumulate..	149,950,000
Add 12½ years' interest at 6 per cent...	149,950,000
	299,900,000
Add 25 per cent to 195 families—i. e., 49 families, and deduct $50,000 for each of the 49........................	2,450,000
Left to accumulate..	297,450,000
Add 12½ years' interest at 6 per cent...	297,450,000
	594,900,000
Add 25 per cent to 244 families—i. e., 61 families, and deduct $50,000 for each of the 61..	3,050,000
Left to accumulate..	591,850,000
Add 12½ years' interest at 6 per cent...	591,850,000
	1,183,700,000
Add 25 per cent to 305 families—i. e., 76 families, and deduct $50,000 for each of the 76..	3,800,000
Left to accumulate..	1,179,900,000
Add 12½ years' interest at 6 per cent...	1,179,900,000
	2,359,800,000
Add 25 per cent to 381 families—i. e., 95 families, and deduct $50,000 for each of the 95..	4,750,000
Left to accumulate..	2,355,050,000
Add 12½ years' interest at 6 per cent...	2,355,050,000
	4,710,100,000
Add 25 per cent to 476 families—i. e., 119 families, and deduct $50,000 for each of the 119...	5,950,000
Left to accumulate..	4,704,150,000
Add 12½ years' interest at 6 per cent...	4,704,150,000
	9,408,300,000

Add 25 per cent to 595 families—i. e., 149 families, and deduct $50,000 for each of the 149	$7,450,000
Left to accumulate	9,400,850,000
Add 12½ years' interest at 6 per cent	9,400,850,000
	18,801,700,000
Add 25 per cent to 744 families—i. e., 186 families, and deduct $50,000 for each of the 186	9,300,000
Left to accumulate	18,792,400,000
Add 12½ years' interest at 6 per cent	18,792,400,000
	37,584,800,000
Add 25 per cent to 930 families—i. e., 233 families, and deduct $50,000 for each of the 233	11,650,000
Left to accumulate	37,573,150,000
Add 12½ years' interest at 6 per cent	37,573,150,000
	75,146,300,000
Add 25 per cent to 1,163 families—i. e., 291 families, and deduct $50,000 for each of the 291	14,550,000
Left to accumulate	$75,131,750,000

Add the two hundred and ninety-one families to the eleven hundred and sixty-three, and their sum is a thousand four hundred and fifty-four. One hundred families, by the addition of twenty-five per cent every twelve and a half years, increase to a thousand four hundred and fifty-four families. The calculation is continued for a hundred and fifty years, or for five generations of thirty years each. The sum of $50,000 is assigned to each family, which, loaned at six per cent, secures to each a yearly income of $3,000. Each family has an income of ten dollars per day for three hundred days in the year. If each family average five individuals, each man, woman, and child, receives an income of two dollars per day. This is twice as much as a laborer can earn in a day, and the single dollar must support both himself and his family. Beside this yearly income, the people of this nation would owe the fourteen hundred and fifty-four families $75,131,750,000, Suppose this sum to be equally divided among the families, each would have $51,672,455. The interest upon the sum total, at the rate of six per cent, would amount to more than $4,500,000,000 annually. An immense amount of the products of labor must be yearly sold for money to pay this interest.

Is the law which thus accumulates interest or products, a power for actual production? No—the law which exacts this interest does not increase the quantity of money, nor of products; it simply compels the sale of the products of labor for its payment. It requires that the proceeds of $4,500,000,000 worth of products shall be given over to the fourteen hundred and fifty-four families to satisfy the interest. More than half the present valuation of the whole property of the United States, both real and personal, would be required to pay the interest for one year. And yet these families exact less than our laws permit, for they take but six per cent interest, and in a number of our states, the legal rate is seven or eight per cent.

Now let one per cent be the legal rate of interest; and suppose the families to loan the twenty millions for the same period of a hundred and fifty years at one per cent, instead of at six per cent, and to collect and re-loan the interest half yearly. The people have the same amount of money to use; and at the expiration of the hundred and fifty years, the sum of the principal and interest does not exceed $90,000,000, while at six per cent it amounts to $75,131,750,000. At one per cent, the principal and the interest do not amount to one eight-hundredth part as much as at six per cent, nor does the sum require one eight-hundredth part as much labor to pay it. If the people borrow the money at six per cent, at the end of six months they take back a portion of the borrowed money to pay the interest. The interest is re-loaned to the people, and so continually increases their indebtedness. With interest at one per cent, the people would have the same quantity of money, and at the end of six months would take back a half per cent, to pay the interest, and the families would re-loan the half per cent to the people, instead of re-loaning the three per cent. A high rate of interest cannot increase the quantity of money, but it increases the indebtedness of the people.

If interest were at one per cent, each of the one hundred families would have but $2,500 income on its whole capital; and if each should continue to expend $3,000 a year, each family, in order not to encroach on its original capital, would have to produce, by its labor, $500 worth of products yearly for its own use, or for sale, instead of being able to lay up $12,000 yearly, without labor. The producing classes could never be oppressed by the capital of these families. But with interest at six per cent, in less than a century and a half, the whole nation would be subject to their control, besides being obliged to support them and their posterity in idleness during the hundred and fifty years.

SECTION III.

OF THE INTEREST RECEIVED BY THE CITIZENS OF THE CITY OF NEW YORK ON LOANS TO THE COUNTRY.

Doubtless the city of New York has at this time more than $50,000,000, and probably more than $100,000,000 loaned in various ways to the country at six or seven per cent interest. Some part of it is invested in State bonds, bank and railroad stocks, stocks of manufacturing companies, &c.; and some loaned on bond and mortgage, the dividends or interest on all of which must be paid in New York. Estimate this sum at only $25,000,000, and allow it to draw seven per cent interest. Suppose the citizens to support themselves independently of the income from this loan, and allow it to accumulate by collecting and reloaning the interest half yearly, for a century. It matters not in what way the capital may be loaned, producers are compelled to add all the interest from the proceeds of their products. In ten years and one month, the $25,000,000 will increase to $50,000,000; in twenty years and two months, to $100,000,000; in thirty years and three months, to $200,000,000; in forty years and four months, to $400,000,000; in fifty years and five months, to $800,000,000; in sixty years and six months, to $1,000,000,000; in seventy years and seven months, to $3,200,000,000; in eighty years and eight months, to $6,400,000,000; in ninety years and nine months, to $12,800,000,000; and, in one hundred years and ten months, to $25,600,000,000. This is as certain as any other mathematical calculation, and nothing can prevent the accumulation of enormous sums in the hands of a few capitalists in this city, unless it be the inability of the inhabitants of the country to pay the interest on their loans. This rate of interest compels farmers to give the value of one farm every ten years for the use of another; the tenant of each manufactory to give the value of another manufactory, once in the same period, for the use of the one occupied; and the passengers and transporters upon each railroad and canal, to pay a sufficient fare or freight to construct, at the expiration of that period, another railroad or canal. It is manifest that the producing classes are unable to fulfil such requirements. Each additional railroad and canal is added to the original one by the producing classes, and is given to the capitalist without labor or production on his part. He gains them by the legal power of money to accumulate, which is equally great, whether the money be loaned on interest or invested in property. If farmers, manufacturers, mechanics, and merchants, were compelled to earn only what themselves require, they could devote the labor now expended in the support of non-producers, to the supply of general comforts and conveniences.

Large cities accumulate the wealth of nations without earning it. According to the State Register, in 1845, the city of New York contained a population of 371,233, and the State of New York contained a population of 2,604,495. The population of the city is less than one-seventh part of that of the State. And yet the assessed valuation of the real and personal property of the city at that period, was $239,995,517, while all the other property in the State was valued at only $365,650,574. This estimate is made without including Brooklyn and Williamsburgh, which are, in fact, parts of the city of New York, as they have grown up and are sustained by the business of the city. Taking the city of New York alone, it appears that the value of its property is more than two-fifths of the value of the property of the State, while its population is less than one-seventh of that of the State. But it is doubtless true that its citizens are worth *more* than all the other inhabitants of the State. The citizens of the city own large tracts of land in different parts of the State, and these lands are taxed in the counties in which they are located. If these taxes were estimated as being paid in the city, where the property is owned, and were taken from the taxes of the country, the transfer of taxes on the amount of $62,827,530, would make the valuation of the property of the city equal one-half the property of the whole State. The citizens of the city of New York own large tracts of land in other States, which are taxed in those States. They have also a large amount of money loaned to the country on bond and mortgage, and large amounts invested in United States, State, and bank stocks, and in stocks of manufacturing and railroad companies, &c., in various States, all of which property, if taxed, is estimated and taxed as belonging to the country. There are doubtless many loans of money and much personal property, which, although loaned and used in the city, escape any taxation. The people of other parts of the State own a considerable amount of property, stocks, &c., in the city; but the amount owned by them in the city is very small, compared with the amount owned by the citizens of the city in the country—probably not one-twentieth. It is reasonable to conclude that the inhabitants of the city and county of New York own as much, or even more property, than all the people in all the other fifty-eight counties in the State. Does any one suppose that the citizens of the city of New York earn more by their labor than all the rest of the inhabitants of the State? Do they do more toward supplying the people of the State with food, clothing, building materials, &c., than the people of the State do toward supplying them with these things? If they do not, they should not continue to accumulate so great a proportion of the wealth.

The means of arriving at the truth in relation to this, would be to take an exact account of all the products which are sent out of the city, and see if the products that leave the city are increased above, or diminished below the products that are sent from the country into the city. If the money be taken into the account, the interest and dividends on both sides should be excluded. Allowance should be made for the labor performed in exchanging goods, in shipments, &c., in the city, equal to the allowance for the same amount of labor on a farm, so that the population of the city should be fairly compensated for their labor. If it be found that the 371,233 citizens of the city do not perform one-half the labor for the 2,604,495 inhabitants of the State, and yet obtain more than one-half the whole property, it is evident that the distribution has been unjust. Our producers are continually endeavoring to overcome their poverty by their industry, but while our present rates of interest prevail, capital will continue to take their surplus earnings, and leave them poor.

SECTION IV.

ER CENTAGE ACTUAL INCREASE OF THE VALUE OF ; PROPERTY OF THE STATES OF NEW YORK AND MAS-HUSETTS, COMPARED WITH THE PER CENTAGE LEGAL REASE ON THE PROPERTY OF THESE STATES FOR THE B PERIODS.

State of New York is deemed very prosperous, ought to be rapidly increasing in wealth by its in- and enterprise. The following table, taken from ew York State Register for 1846, will exhibit the gain of the people of the State for ten years, viz, 835 to 1845, according to the assessed value of the ty:—

TABLE

AND PERSONAL ESTATE IN THE STATE OF NEW YORK, AS TAKEN FROM THE STATE REGISTER FOR 1846.

	Real estate.	Personal estate.	Corrected aggregate valuation.
....	$403,166,094	$128,526,103	$530,653,524
....	539,756,874	132,615,613	....
....	498,430,054	122,021,033	....
....	502,864,006	124,680,778	....
....	519,058,782	131,602,988	....
....	517,723,170	121,447,830	....
....	531,987,886	123,311,644	....
....	504,254,029	116,595,233	....
....	476,999,430	118,602,064	....
....	480,027,609	119,612,343	....
....	486,490,121	115,988,895	605,646,095
			$74,992,571

table shows that in 1835, the whole valuation taxed real and personal estate in the State of York, was $530,653,524; and that in 1845, it had sed to $605,646,095. In the ten years, the people of tate added to their wealth $74,992,571—equal to),257 a year, or a fraction over one and four-tenths nt a year on the capital employed. This calculation is made without any payment of interest until the expiration of the ten years.

Taking the above as a fair valuation of the property, the people of the State added only about one and four-tenths per cent per annum to their capital, and the legal interest of the State is seven per cent, and is usually paid oftener than yearly. If the people had rented the State of a foreign nation, and at the end of every six months we had taken up our obligations and added in the six months' interest, at the end of the ten years we should have added to the principal over $524,000,000. We should have owed the foreign nation, in interest or rent, a sum seven times greater than all that we earned above our own support. If we earned only $74,992,571 more than our own support, how could we return the property to its owners, and pay them $524,000,000 of rent, or seven times more than our labor would produce? Yet the laws of the State, fixing the interest at seven per cent, make a requisition equal to this upon laborers in favor of capital.

The average of the yearly loans of the banks in the State of New York, according to their own reports, amounts to		$70,000,000
According to the annual report, the debt of the State on the 30th September, 1846		24,734,080
Debts of the principal cities in the State in 1845, as taken from the State Register:—		
City of New York	$14,476,986	
" Brooklyn	545,000	
" Albany	500,000	
" Troy	772,000	
" Rochester	108,000	
" Buffalo	57,131	
		16,459,117
		$111,193,197
The interest on this sum at 7 per cent per annum		7,783,523
Yearly average of the surplus earnings of the people of the State, according to the assessed valuation of the property, from 1835 to 1845		7,499,257
		$284,266

It appears that the interest on these debts alone, at seven per cent, would amount to $284,266 more than the surplus earnings of all the people in the State, and this too without compounding the interest. It must be borne in mind, that this debt of $111,193,197 is contracted for money borrowed by the people, or by the State, and the interest paid upon it goes into the hands of a few capitalists, who furnish the capital for banking, and lend the money to the State and its incorporated cities. All the debts contracted by the sale of lands, agricultural products and merchandise—all the money loaned by individuals on bond and mortgage, and all business debts, bearing interest, are additional to the reported debts. The debts yearly contracted in the State by sales of land, merchandise, &c., amount to several hundred millions of dollars, and two, three, or four hundred millions bear interest. Must not the payment of so great an amount of interest, by producers, concentrate the wealth of the State in the hands of a few capitalists, and continue more and more to oppress producers? We might as well expect by labor to dam up the mouths of the rivers of our continent, so that they could not empty into the ocean, as to expect, by labor, to contend successfully against the power of capital, even at two and a half per cent interest, and much less against six or seven per cent. An interest of even two and a half per cent per annum, on capital, would as certainly break down productive industry, and accumulate the wealth in favor of capital, as the waters of the rivers would certainly break down the dams, and force their waters and the obstructing dams into the ocean.

According to the assessed valuation of the property of the State of New York, the increase of its wealth from 1835 to 1845 was about one and four-tenths per cent per annum, without compounding the interest. This was a period of only ten years. It is probable that, in 1835, property was estimated higher in proportion to its actual worth than in 1845. This statement, then, would not be an exactly fair criterion of the actual increase of wealth in the State. During that period, according to it, we gained, beside our own support, only a fraction over one per cent a year by all our labor. If this was a correct estimate, the per centage we gained in wealth was only three-fourths as great as our per centage increase in population, for, during the ten years, our population increased from 2,174,517 to 2,604,495, or a fraction less than two per cent a year. This calculation would make the aggregate wealth of the State in proportion to its population less in 1845 than it was in 1835; and this, I presume, was not the fact. Still there is little doubt that at least one-half the people of the State were poorer in 1845, and are now poorer, than they were in 1835. The increased wealth is accumulated in fewer hands. More and more of the earnings of the producing classes are required to pay the yearly rent, or interest, on the yearly increasing capital. If the men who are now rich had in 1835 an income that abundantly supplied their wants, an increase of wealth has not added to their happiness; and the increase has been taken from those who toil, and yet are suffering for the necessaries of life. Without improving the condition of the rich, we are continually doing a wrong to a large class of industrious and worthy citizens.

ı estimate of the increase of wealth in the State of achusetts, for fifty years, is contained in an article in Iay number, for 1847, of that deservedly celebrated dical, Hunt's Merchants' Magazine. A few extracts ıade to show the difference between the amount of ırty produced by the labor of Massachusetts during years, and the amount which would have accumulated the capital employed during that period at six per interest.

t is the object of this article to exhibit the progress ealth in Massachusetts during the fifty years, from to 1840, as deduced from the six State Valuations, ı at intervals of ten years each. These valuations the legislative sanction of the General Court, and are ases of apportionment of all State taxation for the ten following. They are prepared from the returns ihed by the assessors of the several towns and dis-, and are intended to embrace all the taxable prop-of the Commonwealth. They may be relied upon fficiently correct for the purposes of comparison, or owing the progress of wealth during these fifty years; st they furnish the nearest approximation we have to ue amount of wealth in the State."

ıe assessors' valuation of the property in the State of achusetts in 1790, was $44,024,349, and in 1840, it increased to $299,880,338. The increase of wealth State during fifty years was $255,855,989. In Massa-tts the legal rate of interest is six per cent per annum, he value of property is commonly estimated by the entage income for which it can be rented. If a house ot, or a store and lot, will rent for $600 per annum, beside the taxes and insurance, the property is valued at $10,000, for the income from it is equal to interest at six per cent per annum on $10,000.

In Massachusetts, the banks are allowed to discount paper at six per cent. In making loans, they take the interest or discount from the notes for the time they have to run. Take the value of the property in 1790, say $44,024,349, and suppose it to have been loaned at six per cent per annum, on notes having six months to run. In fifty years the interest on this sum would have accumulated to $885,524,246. Add the principal—i. e., $44,024,349, and we have a sum of $929,548,595. The actual increase of wealth in the State during the fifty years, was but $255,855,989. Add to this the principal or property of the State in 1790—i. e., $44,024,349, and the entire wealth of the State amounts to $299,880,338; or not one-third as much as the accumulation on the same capital would have been in fifty years at six per cent interest per annum. If, in 1790, the people of Massachusetts had rented their property of a foreign nation, and agreed to pay interest on it half yearly at the rate of six per cent per annum, they would have been bound to pay in the fifty years, about three and a half times more than they earned during that period over and above their living. The results of the establishment of this rate of interest in the State, are manifest in the accumulation of wealth in the hands of the few, and in the proportionate destitution of the many.

According to a pamphlet containing a list of the wealthy men of Boston, and an estimate of the value of their property, there are 224 individuals who are worth, in the aggregate, $71,855,000. According to this estimate, the 224 men would be worth, on an average, $321,781 each. In this pamphlet, no estimate is made of any individual's property that is supposed to amount to less than $100,000. If we take the wealthy men in all the other towns and counties in the State, and suppose that there are 3,000 other individuals who are worth only $30,000 each, their aggregate wealth would amount to $90,000,000. Add this sum to the $71,855,000 owned by the 224 men, and we have $161,855,000, or considerably more than half the value of all the property of the State. Such estimates are liable to be more or less incorrect; but any one who will make an estimate of the wealth of the town or village in which he resides, will find that a very small proportion of the inhabitants are worth more than all the rest. This is still more true with regard to large cities, than it is to towns and villages.

If the estimate of the wealth of the 3,224 wealthy men in the State of Massachusetts be correct, these men are worth more than all the other inhabitants of the State. Allowing the families of the 3,224 men to average five persons each, they would constitute a population of 16,120 individuals. In 1840, the State contained a population of 737,700. The 16,120 individuals would not be two and one-fifth per cent of the population, and yet they would own more than half the wealth of the State. If this estimate even approach the truth, it shows an immense disproportion of wealth for the labor performed by its owners; for it is impossible that they, or their ancestors, whatever may have been their skill or industry, can have performed the labor and made the improvements which constitute this wealth. The interest on money loaned, and the rent on property leased, are the only means by which they could have accumulated it. $44,024,349 loaned on six months' paper at six per cent interest per annum, as interest is taken by banks, would increase in fifty years to twenty-one times its original amount. This increase would accrue to the lenders of the money, by merely exchanging their money, or bank-notes, for the notes of individuals, and collecting the interest.

If the rate of interest on money in Massachusetts were at one per cent per annum, instead of at six per cent, and the $44,024,349 were loaned on six months' paper at one per cent interest in advance, in fifty years the money would accumulate $28,879,973. Add the principal—i. e., $44,024,349, and the sum would be $72,904,322, instead of $929,548,595, the accumulation at six per cent.

SECTION V.

FOREIGN DEBTS.

Interest on money at six per cent per annum, payable half yearly, will double the principal in eleven years, eight months, and twenty days; but for convenience, we will call it twelve years. One thousand dollars loaned at six per cent, in twelve years, will accumulate to $2,000; in twenty-four years, to $4,000; in thirty-six years, to $8,000; in forty-eight years, to $16,000; in sixty years, to $32,000; in seventy-two years, to $64,000; in eighty-four years, to

$128,000; in ninety-six years, to $256,000; in a hundred and eight years, to $512,000; in one hundred and twenty years, to $1,024,000. Multiply this sum by 1,024, and it will give the accumulation for one hundred and twenty years more; $\$1,024,000 \times 1,024 = \$1,048,576,000$. Multiply this product by 1,024, and we shall have the accumulation during the next one hundred and twenty years, or for a period of three hundred and sixty years—$\$1,048,576,000 \times 1,024 = \$1,073,741,824,000$.

A rate of interest on money at one per cent, payable half yearly, will double the principal in about sixty-nine and a half years; but for convenience, we will call it seventy years. One thousand dollars loaned at one per cent, in seventy years will accumulate to $2,000; in a hundred and forty years, to $4,000; in two hundred and ten years, to $8,000; in two hundred and eighty years, to $16,000; in three hundred and fifty years, to $32,000; or in three hundred and sixty years to, say, $37,574.

Deduct $37,574 from the accumulation on $1,000 at six per cent, during the three hundred and sixty years—i. e., $37,574 from $1,073,741,824,000, and the remainder is $1,073,741,786,426; which sum, a rate of interest of six per cent on $1,000 will accumulate over and above the sum accumulated by a rate of interest of one per cent on the same sum during a period of three hundred and sixty years. One dollar loaned at six per cent per annum, the interest collected and re-loaned half yearly for a period of three hundred and sixty years, will accumulate the sum of $1,073,741,824; while the same dollar loaned at one per cent, and the interest collected and re-loaned in the same manner for the same period, will accumulate little more than $37. One dollar loaned at six per cent interest per annum for a period of three hundred and sixty years, would accumulate more than double the assessed value of the whole State of New York. The legal interest in the State of New York is seven per cent, and one dollar loaned at this rate for three hundred and sixty years, would accumulate a greater sum than the valuation of the whole United States.

Suppose a foreign nation should lend to the government of the United States $100,000 at seven per cent, on condition that our government should give her bonds half yearly for the payment of the interest, and the sum should accumulate for a term of three hundred and sixty years. However prosperous our people might be, at the expiration of the period, the whole property of the nation would not pay the debt. At seven per cent interest, the debt would double in about ten years. In three hundred and sixty years, $100,000 loaned at seven per cent interest per annum, would amount to $6,971,947,673,600,000; a much larger sum than the valuation of the property of the whole world. These calculations make it evident that six and seven per cent interest cannot, and ought not, to be paid by any nation.

We will make a calculation of interest at three per cent per annum, paid and re-loaned half yearly, as in the former calculations. If the United States should borrow from England $100,000 at three per cent interest, take up her bonds every six months, and give new bonds, adding in the interest, the debt would be doubled in about twenty-three and a half years. But allow it to double in twenty-four years, and the $100,000 would accumulate in three hundred and sixty years, to $3,276,800,000. The annual interest on this sum at three per cent would be $98,304,000. The yearly payment of this sum of interest would be caused by merely borrowing $100,000 for a period of three hundred and sixty years at three per cent per annum, adding the interest to the principal every six months. This enormous debt would be occasioned by the accumulative power of interest, which it requires the products of labor to satisfy and pay.

Suppose, when Virginia was settled in 1607, England had sold to the first settlers the whole of the United States for $1,000, and had taken a mortgage for this sum covering the whole property. Instead of paying the interest yearly at seven per cent, the settlers agree to take up their bonds at the end of every six months, and add in the interest. Allow the $1,000 and the accruing interest to remain outstanding until 1850, and then become due. Although the prosperity of the nation has far surpassed that of any other, yet its property of every description would not pay the debt. The interest would double the principal in ten years and one month. In one hundred years and ten months, the debt would amount to $1,024,000; and in two hundred and one years and eight months, to $1,048,576,000. Add forty years and four months, to 1849, and the sum would amount to $16,777,216,000.

All the interest which would have accumulated upon the $1,000 would not have increased the quantity of money or the property of the nation. All the increase of the value of the property would have been added by the labor of the people; but all their surplus earnings have not equalled the legal accumulation at seven per cent interest on $1,000 during this period.

The Southern and Western States depend upon the yearly products of their labor for their wealth; they are greatly impoverished by the amount of interest that they are compelled to pay to our Eastern and Northern cities for the use of money. A very large amount of the capital stocks of Western and Southern banks, and a large amount of Western and Southern State bonds, are owned by capitalists in the Northern cities, or by foreigners. The interest on these is constantly transferring the earnings of the people of these States to a few capitalists in the large cities, or in foreign nations. All this would be avoided by the establishment of proper monetary laws in our own nation. The government should furnish money by making a representative of the property of applicants in their own States, and no State should be compelled to pay to other States or nations millions of dollars' worth of products yearly for a representative of their property.

SECTION VI.

NO ACCUMULATION OF PROPERTY BY LABOR EQUAL TO THE ACCUMULATION BY THE LOAN OF MONEY AT SEVEN PER CENT INTEREST.

Although the business of a nation be conducted in good faith, and all contracts be fulfilled according to law, and no scarcity of money be induced, yet a legal rate of interest at seven per cent per annum, will inevitably concentrate the wealth of a nation in a few hands.

To show that interest at seven per cent will accumulate property far more rapidly than it can be earned by labor, suppose a nation of one thousand individuals. This miniature nation is used in illustration, because the operation of the laws will be more readily seen upon so small a community; but the effects would be similar upon a great nation. The thousand persons settle in a new country, and engage in various occupations, agricultural, manufacturing, mercantile, &c. At the settlement of the colony, we will suppose the colonists to be worth an equal amount of property, so that one shall possess no superiority over another. Each pursues some lawful and useful business, without entering into any speculation whereby a fortune may be gained without labor. No one has any means of support beside actual production, except the legal interest of seven per cent on money loaned, or rent at the same rate on money invested in property. All are diligent in their several occupations, and thus each contributes to the general well-being.

Two mechanics, just come of age, are desirous of accumulating large fortunes. They are good workmen, and each is able to earn a dollar a day over and above his expenses. Every six months they loan the money thus earned at seven per cent interest, the interest payable half yearly. They set their affections upon being rich, and therefore do not burden themselves with a house and family. These men earn an average of a dollar a day, beside their expenses, three hundred days in each year, during forty years and four months. Their age is then sixty-one years and four months. Each earns by labor $300 per year for forty years, or, for the whole period, $12,120—together, $24,200. The interest on their earnings, loaned half yearly, for a period of forty years and four months, accumulates an amount which will be seen by reference to the following table. Interest at seven per cent per annum, paid and re-loaned half yearly, accumulates a sum equal to the principal in ten years and one month.

TABLE.

INTEREST AT SEVEN PER CENT ON $300.

1st half year they earn by their labor	$300 00
6 months' interest at 7 per cent	10 50
	310 50
2d half year's labor	300 00
	610 50
6 months' interest	21 37
	631 87
3d half year's labor	300 00
	931 87
6 months' interest	32 61
	964 48
4th half year's labor	300 00
	1,264 48
6 months' interest	44 26
	1,308 74
5th half year's labor	300 00
	1,608 74
6 months' interest	56 30
	1,665 04
6th half year's labor	300 00
	1,965 04
6 months' interest	68 78
	2,033 82
7th half year's labor	300 00
	2,333 82
6 months' interest	81 68
	2,415 50
8th half year's labor	300 00
	2,715 50
6 months' interest	95 04
	2,810 54
9th half year's labor	300 00
	3,110 54
6 months' interest	108 87
	3,219 41
10th half year's labor	300 00
	3,519 41
6 months' interest	123 18
	3,642 59
11th half year's labor	300 00
	3,942 59
Amount brought up	3,942 59
6 months' interest	137 99
	4,080 58
12th half year's labor	300 00
	4,380 58
6 months' interest	153 32
	4,533 90
13th half year's labor	300 00
	4,833 90
6 months' interest	169 18
	5,003 08
14th half year's labor	300 00
	5,303 08
6 months' interest	185 61
	5,488 69
15th half year's labor	300 00
	5,788 69
6 months' interest	202 60
	5,991 29
16th half year's labor	300 00
	6,291 29
6 months' interest	220 20
	6,511 49
17th half year's labor	300 00
	6,811 49
6 months' interest	238 40
	7,049 89
18th half year's labor	300 00
	7,349 89
6 months' interest	257 25
	7,607 14
19th half year's labor	300 00
	7,907 14
6 months' interest	276 75
	8,183 89
20th half year's labor	300 00
	8,483 89
6 months' interest	49 49
	8,533 38
Add one month's labor	50 00
	$8,583 38

In the first ten years and one month, the two men earn by their labor....	$6,050 00
Interest thereon during this period..	2,533 38
	8,583 38
In the 2d ten years and one month, the interest on this sum equals the principal..	8,583 38
	17,166 76
2d 10 years and 1 month's labor, and interest thereon........................	8,583 38
	25,750 14
3d " interest..	25,750 14
	51,500 28
3d " labor, and interest thereon............................	8,583 38
	60,083 66
4th " interest..	60,083 66
	120,167 32
4th " labor, and interest thereon............................	8,583 38
	128,750 70
In 40 years and 4 months, the men earn by their labor........................	24,200 00
Remainder accumulated by interest..	$104,550 70

The interest on the sum, $24,200, earned by their labor is $104,550 70—more than four and a quarter times more than they have earned by their labor. Suppose the two men to live twenty years and two months longer—that is, to the age of eighty-one years and six months, and continue to loan their money. During this period it would double twice.

Thus..	$128,750 70
10 years and one month's interest..	128,750 70
	257,501 40
2d 10 years and 1 month's interest..	257,501 40
Total accumulation in 60 years and 6 months..................................	$515,002 80
The two men do not labor during the last 20 years and 2 months, and expend for their living during that period..	15,002 80
	500,000 00
In 40 years and 4 months, they earn by their labor $24,000, and live 20 years and 2 months on their money without labor.	
Subtract money earned by labor..	24,200 00
Remainder accumulated by interest on $24,200..................................	$475,800 00

Every dollar of the $475,800 is earned by the labor of others and given to the two men, as the legal interest upon $24,200. These men live laboriously, and work for a very moderate compensation. They take only the legal rate of interest, and do not demand the principal of the money as long as the interest is paid. Neither do they enter into any speculations. It is, therefore, said, that labor earns their large fortunes. Cases similar to this are often brought to prove that an industrious man may, by his labor, accumulate a large property. That such conclusion is erroneous, is manifest from the foregoing table, by which it appears, that more than nineteen out of twenty parts of the large fortunes of these men are earned by others, and paid to them to satisfy the legal interest on their loans of money.

Now let us suppose the interest on money to be one per cent, and, with this difference only, these two men to be placed in the same circumstances in which they have been already described. They earn over and above their expenses a dollar a day, three hundred days in each year, during a period of forty years and four months. They loan their earnings at the legal rate of interest, (one per cent,) and collect and re-loan the interest half yearly

TABLE.

INTEREST AT 1 PER CENT ON $300.

1st half year's labor..................	$300 00
6 months' interest at 1 per cent..	1 50
	301 50
2d half year's labor..................	300 00
	601 50
6 months' interest....................	3 01
	604 51
3d half year's labor..................	300 00
	904 51
6 months' interest....................	4 52
	909 03
4th half year's labor..................	300 00
	1,209 03
6 months' interest....................	6 05
	1,215 08
5th half year's labor..................	300 00
	1,515 08
6 months' interest....................	7 58
	1,522 66
6th half year's labor..................	300 00
	1,822 66
6 months' interest....................	9 11
	1,831 77
7th half year's labor..................	300 00
	2,131 77
6 months' interest....................	10 66
	2,142 43
8th half year's labor..................	300 00
	2,442 43
6 months' interest....................	12 21
	2,454 64
9th half year's labor..................	300 00
	2,754 64
6 months' interest....................	13 77
	2,768 41
10th half year's labor................	300 00
	3,068 41
6 months' interest....................	15 34
	3,083 75
11th half year's labor................	300 00
	3,383 75

Amount brought up....................	3,383 75
6 months' interest....................	16 92
	3,400 67
12th half year's labor................	300 00
	3,700 67
6 months' interest....................	18 50
	3,719 17
13th half year's labor................	300 00
	4,019 17
6 months' interest....................	20 10
	4,039 27
14th half year's labor................	300 00
	4,339 27
6 months' interest....................	21 69
	4,360 96
15th half year's labor................	300 00
	4,660 79
6 months' interest....................	23 30
	4,684 26
16th half year's labor................	300 00
	4,984 26
6 months' interest....................	24 92
	5,009 18
17th half year's labor................	300 00
	5,309 18
6 months' interest....................	26 55
	5,335 73
18th half year's labor................	300 00
	5,635 73
6 months' interest....................	28 18
	5,663 91
19th half year's labor................	300 00
	5,963 91
6 months' interest....................	29 82
	5,993 73
20th half year's labor................	300 00
	6,293 73
1 month's interest....................	5 27
	6,299 00
1 month's labor......................	50 00
	$6,349

In the first ten years and one month, the two men would earn by their labor the same sum as in the former case, viz:	$6,050 00
Interest during that period at 1 per cent on the money earned	299 00
	6,349 00
2d ten years and one month's interest at 1 per cent, re-loaned half yearly...	671 73
	7,020 73
2d ten years and one month's labor, with interest thereon at 1 per cent	6,349 00
	13,369 73
3d ten years and one month's interest at 1 per cent	1,414 53
	14,784 26
3d ten years and one month's labor, with interest thereon	6,349 00
	21,133 26
4th ten years and one month's interest at 1 per cent	2,235 87
	23,369 13
4th ten years and one month's labor, with interest thereon	6,349 00
	$29,718 13
In the above forty years and four months, the two men earn by their labor the same sum as when interest was at 7 per cent, viz:	$24,200 00
Interest at one per cent upon this sum during a period of forty-four years and four months	5,518 13
	$29,718 13
Interest on this sum at 1 per cent for twenty years and two months, or until the men arrive at the age of eighty-one years and six months—first ten years and one month's interest	3,144 17
	32,862 30
2d ten years and 1 month's interest	3,475 80
Total amount of earnings, and interest thereon at 1 per cent for sixty years and six months	36,338 10
As in the former case, suppose the men to live the last twenty years and two months of their lives upon their money, and deduct for their expenses	14,995 00
	$21,343 10

With interest at seven per cent, at the age of eighty-one years and six months, they have a fortune of $500,000, while with interest at one per cent, they have but $21 343, making a difference of $478,656. If in the former case they decease at the age of eighty-one years and six months, their fellow-citizens are indebted to their estates or heirs, $500,000, with an annual interest of $35,000;

and in the latter, the citizens are indebted to them $21,343 with an annual interest of $213 44. Even at one per cent, the interest legally accumulates for them more than one-half as much as they earn by labor.

Let us now suppose another case, of two men who become of age at the same time as the former two, and who are equally good workmen. They likewise earn a dollar per day over and above their own support; but they marry, and have the expense of supporting their families. Each rents a house at $100 per annum; and thus one-third of their surplus earnings is paid for tenements. Their earnings must also supply their families with food, clothing, fuel, &c. Although these two men work as diligently and as skilfully, and earn as much as the former two, yet, instead of being able to lend money upon interest, they are obliged to pay interest on the houses they occupy. Strict economy is requisite to make one dollar a day, over and above their personal expenses, school their children, pay rent, and furnish necessary supplies. These two men labor as much as the former two, and contribute at least an equal share to the public good. All their earnings are devoted to the payment of artisans, teachers and others, whose services they require. The former two, without performing more labor than the latter two, live twenty years and two months without labor, and leave fortunes to the amount of $250,000 each. The latter work as long as they are able, but in old age are, perhaps, compelled to seek an asylum in the poor-house.

If the two men as they earned their money had invested it in farming land, or in houses and stores, and had rented the property at seven per cent on its cost, instead of lending their money at seven per cent interest, they certainly could not have oppressed the producing classes more than they would by lending them money at seven per cent. In either case they would compel others to earn for them more than nineteen out of twenty parts of their fortunes.

The amount to which nations and individuals are indebted, is a subject of general complaint. The above illustration exhibits the cause. The difference of the amount due to the estates of these men, under the supposed circumstances, can be traced directly to the difference in the rate of interest. At the rate of seven per cent, a sum of $500,000 is due to their estates. It would take the labor of a single man for more than 1,666 years to pay this principal; and it would require, at one dollar per day, the constant toil of more than 116 men to pay the yearly interest of $35,000. From generation to generation, these men might continue to pay the interest, and still the burden be undiminished; and in the short space of sixty years and six months, two men entail this debt upon this small nation. Not the labor of these two men entails this evil, but the *law* which fixes the unjust rate of interest. It is the natural result of the law, and must be alike disastrous to large and small communities.

SECTION VII.

TWO PER CENT PER ANNUM TOO HIGH A RATE OF INTEREST.

However fertile a country may be, interest even at two per cent per annum will inevitably oppress the producers. In the following table, interest is calculated at two per cent, under the same circumstances and for the same period as in the former cases. The interest will be found far to exceed the principal.

TABLE.

INTEREST AT TWO PER CENT ON $300

1st half year's labor	$300 00	Amount brought up	1,864 06
6 months' interest at 2 per cent.	3 00	7th half year's labor	300 00
	303 00		2,164 06
2d half year's labor	300 00	6 months' interest	21 64
	603 00		2,185 70
6 months' interest	6 03	8th half year's labor	300 00
	609 03		2,485 70
3d half year's labor	300 00	6 months' interest	24 86
	909 03		2,510 56
6 months' interest	9 09	9th half year's labor	300 00
	918 12		2,810 56
4th half year's labor	300 00	6 months' interest	28 11
	1,218 12		2,838 67
6 months' interest	12 18	10th half year's labor	300 00
	1,230 30		3,138 67
5th half year's labor	300 00	6 months' interest	31 39
	1,530 30		3,170 06
6 months' interest	15 30	11th half year's labor	300 00
	1,545 60		3,470 06
6th half year's labor	300 00	6 months' interest	34 70
	1,845 60		3,504 76
6 months' interest	18 46	12th half year's labor	300 00
	1,864 06		3,804 76

Amount brought up	3,804	76
6 months' interest	38	05
	3,842	81
13th half year's labor	300	00
	4,142	81
6 months' interest	41	43
	4,184	24
14th half year's labor	300	00
	4,484	24
6 months' interest	44	84
	4,529	08
15th half year's labor	300	00
	4,829	08
6 months' interest	48	29
	4,877	37
16th half year's labor	300	00
	5,177	37
6 months' interest	51	77
	5,229	14
17th half year's labor	300	00
	5,529	14
6 months' interest	55	29
	5,584	43
18th half year's labor	300	00
	5,884	43
6 months' interest	58	84
	5,943	27

Amount brought up	5,943	27
19th half year's labor	300	00
	6,243	27
6 months' interest	62	43
	6,305	70
20th half year's labor	300	00
	6,605	70
Add 1 month's interest	11	06
	6,616	76
Add 1 month's labor	50	00
	6,666	76
Add 10 years and 1 month's interest at 2 per cent	1,481	55
	8,148	31
2d 10 years and 1 month's labor and interest	6,666	76
	14,815	07
10 years and 1 month's interest	3,292	35
	18,107	42
3d 10 years and 1 month's labor and interest	6,666	76
	24,774	18
10 years and 1 month's interest	5,505	88
	30,280	06
4th 10 years and 1 month's labor and interest	6,666	76
	$36,946	82

Add the interest at two per cent for twenty years and two months longer, until the men reach the age of eighty-one years and six months.

1st 10 years and 1 month's interest	8,210	69
	45,157	51
2d 10 years and 1 month's interest	10,035	35
	55,192	86

In forty years and four months the two men earn by their labor	24,204	00
The interest upon this sum for a period of sixty years and six months, even at two per cent, amounts to	30,992	00
	$55,192	00

This is $6,790 more than they earn by their labor.

When it is considered that this interest or rent is paid for the mere use of money or of capital, every reflecting, honest mind must be convinced that two per cent is a higher rate of interest than a nation or people can afford to pay. It is surely most unreasonable for the laws to compel producers to pay for the use of the property which a man may acquire by forty or fifty years' labor, twice or thrice the sum of the property so earned. The thing produced is more highly estimated than the power that produces it. If an interest of two per cent upon a well regulated currency would accumulate the property of a nation in the possession of a few, can it be considered strange that the rates of three, four, five, six, and seven, and even higher rates which are exacted in different countries should have concentrated property into so few hands? The only wonder is, that producers have continued to live under this oppression.

A rate of interest of even two per cent per annum, would put it out of the power of a people to fulfil their contracts. The establishment of this rate of interest would be equivalent to the passing of a law, compelling the laboring classes to double the capital of a nation, in favor of the capitalists once in thirty-four and a half years, besides producing their own support. Suppose a foreign nation owned all the real and personal estate in this nation, and a fair estimate were made of the value of all; and then our people were legally obliged to pay two per cent yearly upon this valuation, beside producing for their own support; would not a tribute or tax like this keep us for ever in poverty? Our laws enforce much higher rates of interest on capital, which are little less oppressive to the great body of our producers, because they are paid to a few capitalists in our own land instead of to foreigners.

It may be objected that some of the illustrations of the accumulative power of interest are based on so long periods as to present exaggerated results: but it must be borne in mind that the rates of interest, or rents, are continually accruing to the capital of nations, and producing similar evil effects upon the people whether for longer or shorter periods.

SECTION VIII.

THE REDUCTION OF INTEREST WOULD BE AN EQUAL BENEFIT TO THE PRODUCING CLASSES, WHETHER PROPERTY SHOULD RISE, OR FALL IN PRICE, IN CONSEQUENCE OF SUCH REDUCTION.

It may be supposed that if interest were reduced to one per cent, property and labor would rise in the same proportion, and therefore, the producing classes would receive no advantage from the reduction. But whether property should rise, or fall, or maintain its present price, producers would have the same relative advantage; their gain would be from the lessened per centage on capital. If a man borrowed a hundred dollars for a year, he would pay but one dollar for the use of one hundred, instead of paying seven dollars. If he hired a hundred acres of land, he would have to earn only one acre to pay for the use of one hundred, instead of being obliged to earn seven to pay for their use; for the per centage on money governs the rent of land. This principle of the adequate reward of labor, by the decrease of interest on money, although property and labor in consequence should rise in price, will be illustrated by the following table. The price of labor is calculated at six dollars per day, and the interest on money at one per cent per annum. The men earn their money, and loan it as in the former cases.

TABLE

INTEREST AT ONE PER CENT—LABOR AT $6 PER DAY.

1st 6 months' labor............	$1,800	00
6 months' interest at 1 per cent.	9	00
	1,809	00
2d half year's labor...............	1,800	00
	3,609	00
6 months' interest...............	18	04
	3,627	04
3d half year's labor..............	1,800	00
	5,427	04
6 months' interest...............	27	14
	5,454	18
4th half year's labor..............	1,800	00
	7,254	18
6 months' interest...............	36	27
	7,290	45
5th half year's labor..............	1,800	00
	9,090	45
6 months' interest...............	45	45
	9,135	90
6th half year's labor.............	1,800	00
	10,935	90
6 months' interest...............	54	68
	10,990	58
7th half year's labor..............	1,800	00
	12,790	58
6 months' interest...............	63	95
	12,854	53
8th half year's labor..............	1,800	00
	14,654	53
6 month's interest...............	73	27
	14,727	80
9th half year's labor..............	1,800	00
	16,527	80
6 months' interest................	82	64
	16,610	44
10th half year's labor............	1,800	00
	18,410	44
6 months' interest................	92	05
	18,502	59
11th half year's labor............	1,800	00
	20,302	59

Amount brought up.............	$20,302	59
6 months' interest................	101	51
	20,404	10
12th half year's labor............	1,800	00
	22,204	10
6 months' interest................	111	02
	22,315	12
13th half year's labor............	1,800	00
	24,115	12
6 months' interest................	120	58
	24,235	70
14th half year's labor............	1,800	00
	26,035	70
6 months' interest................	130	18
	26,165	88
15th half year's labor............	1,800	00
	27,965	88
6 months' interest................	139	88
	28,105	76
16th half year's labor............	1,800	00
	29,905	76
6 months' interest................	149	53
	30,056	29
17th half year's labor............	1,800	00
	31,855	29
6 months' interest................	159	28
	32,014	57
18th half year's labor............	1,800	00
	33,814	57
6 months' interest................	169	07
	33,983	64
19th half year's labor............	1,800	00
	35,783	64
6 months' interest................	178	92
	35,962	56
20th half year's labor............	1,800	00
	37,762	56
1 month's interest................	31	47
	37,794	03
1 month's labor....................	300	00
	$38,094	03

1st 10 years and 1 month's interest	$38,094 03
2d 10 years and 1 month's interest	4,030 44
	42,124 47
10 years and 1 month's labor and interest	38,094 03
	80,218 50
3d 10 years and 1 month's interest	8,487 24
	88,705 74
10 years and 1 month's labor and interest	38,094 03
	126,799 77
4th 10 years and 1 month's interest	13,415 34
	140,215 11
10 years and 1 month's labor and interest	38,094 03
	$178,309 14
In 40 years and 4 months, the two men earn at $6 per day	$145,200 00
Interest thereon for 40 years and 4 months at 1 per cent	33,109 14
	178,309 14
Let the interest on $178,309 14 accumulate 20 years and 2 months, until the men arrive at the age of 81 years and 6 months. Interest on $178,309 14 for 10 years at 1 per cent	18,865 02
	197,174 16
2d 10 years' interest	20,854 80
	218,028 96
The men cease to labor at the age of 61 years and 4 months, and expend during 20 years and 2 months, six times more than when labor was at $1 per day. They expend six times $14,995. Deduct	89,970 00
	$128,058 96

With interest at seven per cent, and labor at $1 per day, (see Sec. VI.,) the two men leave to their heirs $500,000; while with interest at one per cent, and labor at $6 per day, they leave to their heirs $128,058, only a fraction over one-fourth as much as in the former case. The interest on $500,000 at seven per cent would be $35,000 annually. It would take the labor of one man at $1 per day, one hundred and sixteen years to pay the interest for a year. The interest on $128,058 at one per cent, would be $1,280. The labor of one man for two hundred and thirteen days, at $6 per day, would pay the *interest for a year.*

SECTION IX.

EFFECTS UPON PRODUCERS OF HIGH AND FLUCTUATING RATES OF INTEREST.

The following illustration, based upon land, will show the effect of high and varying rates of interest upon producers, and the safety with which money could be loaned, if interest were reduced to a just and uniform rate.

Suppose W. owns a thousand acres of land, which he has bought from the Government, and upon which he is paying the taxes. The land will produce no income, unless he cultivates it himself, or sells or rents it to others, who will cultivate it. He sells the land in five tracts, of two hundred acres each, at five dollars per acre. A. B. C. D. and E. are the purchasers, and move upon and cultivate the land, and pay the taxes. No other payment is to be made for five years, at the expiration of which period, A. B. C. D. and E. are to pay up the interest on their respective tracts of land, and after that to pay the interest annually. All the land sold is of nearly the same quality. Each purchaser agrees to pay a thousand dollars, and gives a bond and mortgage upon his land to secure the payment. W. takes A.'s bond and mortgage, bearing two per cent interest; B.'s bearing four per cent; C.'s bearing eight per cent; D.'s bearing sixteen per cent; and E.'s bearing thirty-two per cent interest. At the end of five years, A.'s bond and mortgage will have drawn $100; B.'s

$200; C.'s $400; D.'s $800; and E.'s $1,600 interest. Yet W. sells the land to all at the same price, and all the difference of the indebtedness of A. and E. is caused by the difference of the rates of interest that W. charges them. This difference makes E. indebted to W. $1,500 more than A. All the debtors must pay the interest with the products of their respective farms, and W. does none of the labor toward making the production.

Now suppose X. to sell the same land to the parties on a credit of one year, and to charge them six per cent interest. Suppose money to be so scarce, that at the end of the year they clear only the interest, and are compelled to lose their farms by a foreclosure of their mortgages, or else to borrow the money and pay off the mortgages. A. B. C. D. and E. borrow the money on the best terms possible on mortgage of their farms and stock. A. procures the money at two per cent interest; B. at four per cent; C. at eight per cent; D. at sixteen per cent; and E. is compelled to pay thirty-two per cent per annum, or two and two-thirds per cent a month. This amounts to the same thing as if they had bought their farms of W., agreeing to pay the same rates of interest. The money enables them to keep possession of their farms. From the sales of their products they must pay the different debts and interest. The different rates of interest decide what proportion of their products shall go to pay for the use of the farms. When the farmers borrow the money to pay off their mortgages, they do not keep the money. It continues to circulate, and to decide what rents others shall pay for the privilege of keeping the use of property for a given period.

But suppose the rate of interest to be fixed at one per cent, and that money could always be obtained on the offer of good security. Those who had money to lend would ascertain whether the property offered as security would make the interest safe. If so, the security would be deemed good. When interest is liable to rise from six to twelve per cent, the lenders of money require securities that will make their loans safe if the interest should rise to twelve per cent. But if the supply of money were such that the interest could not rise, a less security would always keep loans safe. Suppose, then, the rate of interest to be at one per cent, and W. to sell the land to A. B. C. D. and E., as before. Each purchases two hundred acres at $5 per acre, and for five years pays only the taxes. At the end of five years, they pay the five years' interest. The interest on $1,000 for five years, at one per cent, amounts to $50; and the interest on the whole $5,000, for five years, amounts to but $250, instead of to $4,100, as in the former case, when it was loaned at the various and higher rates of interest. The tenants have the use of the farms as much to pay the $250, as to pay the $4,100. If they make any reasonable improvement on the farms, W. can incur no hazard of losing his money. Certainly each farm would rent for $10 a year. Even if the farmers should not pay the interest at the close of the five years, and the farm would rent for $10 50 a year, over and above the taxes, the farms would still be as good as $1,050, at interest, at one per cent; therefore, in either case, they would keep the sale of the land good, or the loan safe for W., without his personal labor to cultivate them. If W. should sell the farms, at the end of five years, interest at six per cent, each of the farmers would owe him $300 interest, which, added to the principal, would make $1,300. The interest on this sum, at six per cent, would be $78 annually, and unless each farm would rent for this sum, W.'s debt would not be safe. The per centage interest on the cost of property must be equal to the rate per cent on money, or the property cannot be good security for the payment of the money.

The borrower of money is said to pay a certain rate of interest, for the use of the money borrowed. He may not, however, use the money a single day. He immediately pays a debt, or purchases property with it, and yet he pays interest on it for a year. The rate of interest determines what price the borrower shall pay for the use or rent of the property which he purchases with the money.

A few illustrations will show the effect of increased rates of interest upon the welfare of producers and distributers whose property is in their products. Suppose a cotton planter raises a hundred bags of cotton. In doing so he must either pay for, or become indebted for bagging, rope, clothing for his workmen, &c. He is compelled to realize the money for his cotton as soon as he can get it to market. Money is very scarce, and the price of cotton extremely low. The planter is obliged either to sell for cash, or offer a commission to some one to accept his draft on the pledge of the cotton. He is forced to pay for his acceptance two and a half per cent. This will take the proceeds of two and a half bales of cotton. If the draft be drawn on three months time, and the scarcity of money compel the planter to sell the draft at two per cent a month, six bales more will be taken from his one hundred bales. He must lose eight and a half bales for the privilege of keeping the remainder three months in store, besides the storage, cartage, and the commission on sales. The proceeds of the eight and a half bales of cotton are gained by the capitalist by means of the high rate of interest, and without any adequate labor on his part. Under a proper monetary system, the planter would be able to hold his cotton a year without losing even two bales of it for the advance of money.

Again, suppose interest to be at six per cent. A manufacturer makes a package of a hundred pieces of cloths, and sends them to market. Six months pass before the goods can be sold, and he loses three pieces as the interest on the ninety-seven which he has left. If, at the end of six months, the commission merchant sell them on a credit of eight months, the manufacturer must lose four pieces more, in all seven pieces of cloth, and this he loses when interest on money is at six per cent. But the manufacturer is greatly in need of money, and must have the eight months' note cashed. Interest having risen, the commission merchant sells the note in market at two per cent a month discount. This makes the manufacturer lose sixteen pieces of cloth on the note, instead of four pieces, as at six per cent. Add these to the first three, and it will make nineteen pieces paid to others out of the one hundred pieces, to enable him to keep eighty-one pieces, or their proceeds, for fourteen months. These are a total loss to the manufacturer. Besides, he has to pay cartage, storage, commission and transportation. The proceeds of the nineteen pieces of goods go into the hands of the money-lender.

Now let us see the result in the same transaction, if interest on money were reduced to one per cent, and maintained at that rate. The manufacturer sends the hundred pieces of cloths to market, and they lie six months unsold. He loses only half a piece of cloth for the six months' interest on his goods. The commission merchant sells them on eight months' credit, as before, and gets the note discounted at the rate of one per cent per annum. This amounts to two-thirds of a piece of cloth, and added to the half piece, is a loss to the manufacturer of one piece and one-sixth of a piece during the fourteen months, instead of being a loss, as in the former case, of nineteen pieces. This difference is caused solely by the rate of interest.

Although the bales of cotton or the pieces of goods lie unused and uninjured in the storehouse, yet a number of bales of cotton or pieces of goods are taken from their owners by the legal growth of the money, or by the growth or accumulation on the paper obligation given to obtain the money. The rate of interest decides how many bales of cotton shall be owned by the planter—how many pieces of goods shall be owned by the manufacturer; and the proportion of them that shall be given to those who furnish the money.

SECTION X.

THE OPPRESSION OF LABOR BY A MONOPOLY OF LAND NOT AS GREAT AS THE OPPRESSION BY HIGH RATES OF INTEREST ON MONEY.

It is supposed by many, that the monopoly of land is the cause of the concentration of wealth in the hands of a few, and that land owners are the greatest oppressors. But in the illustration of the one hundred families and their descendants, (see Chap. III., Sec. II.,) no land is bought except the two hundred acres for their personal residences; yet they take from the people as large a quantity of their products, by the interest on money, or on their obligations, as if they had invested the twenty millions in farming land, and let the land out to tenants at six per cent interest on its cost, re-investing the interest half yearly in land during the hundred and fifty years. The tenant of leased land pays the rent by the sale of its yearly products. If he cannot support himself well besides paying the rent, it is evident to all that the rent is too high. The landlord and the tenant come in direct contact, and the wrong done by the former to the latter is manifest. But nothing grows upon money with which the borrower can pay the interest. He exchanges it for merchandise or lands, and expects to make a profit on them which will pay the interest on the money. If, however, he be not able to pay the interest, it is set down as bad management, on his part, instead of being attributed to the too high rates of interest on the money.

The owner of money, by the legal interest, imposes as great hardships upon the borrower, as if he had loaned him land or merchandise at the same per centage on its valuation.

The following illustration will show the different estimates put upon the leasing of land at a certain per centage on its value, and the loaning of money at the same rate. K. is the owner of $100,000. He expends this sum for well improved farms, which he leases in perpetuity at six per cent per annum on their cost. His tenants are, therefore, obliged to pay $6,000 a year for the use of the farms. They would find it very difficult to pay so high a rent; and it would be deemed very oppressive to them and to their heirs, who must work the land. If the owner of the land should require from each tenant security for the rent, so that one must become responsible for the payment of another's rent, he would be thought a hard landlord. And if, in time of drought or disease, which rendered the tenants unable to pay their rent, the landlord should sell the stock from their farms, he would be deemed very oppressive, although his tenants had voluntarily entered into the engagement.

Now, suppose M. to own $100,000, which he loans on interest at six per cent per annum, payable half yearly. To secure the loan, he requires double its value in land, so that he is twice as well secured as the land-owner. He allows the principal to remain outstanding as long as the interest is regularly paid. He annually receives $6,000 interest on his money, the same sum that the land-owner receives for the rent of his land, and he is much better secured, for in some years the crops may fail; but the mortgaged land, being twice the value of the loan, is a double security, and will force the sale of the farm if the interest be not paid. It takes as many of the products of labor to pay the interest to the money-lender, as to pay the rent to the land-owner; yet the money-lender is deemed a just and honorable man, because he takes only six per cent interest for his money. If at any time the scarcity of money and the low price of products prevent the payment of the interest, and the money-lender foreclose some of his mortgages, buying in the property, worth double the amount loaned, at half price, no stigma rests upon his character, especially if the legal rate of interest be seven per cent, and he charge but six per cent. Although these cases are so differently regarded, the oppression by loaning money at six per cent interest greatly exceeds that by leasing property.

The following illustration shows how tenants of land are affected by high rates of interest on money. N. owns a farm which he cultivates. He is, therefore, the rightful owner of the products. If, however, N. lets the farm to O., and O. cultivates it, then N. and O. are joint owners of the products. This principle, that labor and capital are together entitled to the products, is in accordance with the laws of nations, and must continue to be so as long as the rights of property are recognized by civil authority. The question which arises for settlement is, what proportion rightfully belongs to the capital, and what to the labor—what proportion of products N. should receive for the use of the farm, and what proportion O. should receive for his labor in cultivating it. It will be said at once that the proportion which O. is to give to N. is a matter of agreement between them; and, therefore, whatever N. agrees to take, and O. agrees to pay for the rent of the farm, is the right proportion; and that no laws should interfere in such contracts except to compel their fulfilment. This would be right and just to both the contracting parties, if the public standard of value on which they are compelled to found the contract were equitable. But if the standard or rate of interest be such that O. is obliged by its legal operation to pay nearly the whole surplus products of the farm to N. as rent, the contract is a manifest wrong to O.; because, although he work diligently all his life, the legal standard keeps him forever poor, while N., by the action of the same standard, without labor, will constantly increase in wealth.

We declare that all men are born free and equal; but N. may be born heir to a dozen farms, while O. may be born without property; and, under present laws, by his labor alone he cannot acquire it. Therefore, N. is actually born to live in luxury without labor, and O. is born to be a servant to N. O.'s children are born servants to N., and to his posterity, and live in perpetual toil and hardship, that N.'s children may be supplied with all the luxuries of life without labor. N. and his children receive these luxuries from the rent that O. and his children pay for the use of the land owned by N. If all men are by nature free and equal, why has legislation reversed the order of nature so as to secure the greatest possible inequality? It is not in the power of man to continue a more effectual method of concentrating property in a few hands, than by high rates of interest. This method works rapidly and securely, because it extorts consent as it operates. If civilization require, as its basis, that property should descend from father to son, it certainly does not require that legislation should do its utmost to magnify the inequalities arising from this right of inheritance. These inequalities only exist because the whole body of producers are obliged to pay an exorbitant price for the yearly rent of every description of property; and why are they obliged to pay this price? Because the rent is determined by the legal interest on money, the standard of value, to which no individual, nor class of individuals, can offer successful resistance. If N., instead of leasing the farm to O., loan him money with which to purchase a farm, O. rents the money from N. instead of renting the farm. But he is as much compelled to pay the interest on the money with the products of the farm, as he is to pay the rent of the farm with the products. If the interest on money were at one per cent, N. could not let his farm to O. at such a rate as to compel O. to give him in rent a sum equal to the principal of the farm in less than about seventy years. But if interest on money be fixed at seven per cent, N. can compel O. to give a rent for the farm which will equal the principal of the farm in about ten years. At this rate, in seventy years O. must give N. the value of one hundred and twenty-seven farms as the legal rent of one.

In fixing the rate of interest, governments determine what proportion of their earnings the producing classes shall pay for the use of capital. Laborers have no means of resisting the overwhelming power of accumulation given to capital, except by a change in the monetary system, and the establishment of a just rate of interest. Then the inequalities of birth and condition will be greatly diminished, and no class of laborers can be kept, for any length of time, subservient to capital.

SECTION XI.

THE RATE OF INTEREST DETERMINES THE PRICE OF PROPERTY, AND A RISE OF INTEREST INCREASES THE POWER OF MONEY TO COMMAND PROPERTY.

The value of money is determined by the interest that it will accumulate; and the value of all property is determined by the rent that can be obtained for it. The market value, or the price of property must conform to the legal standard.

If the rent of any property be not sufficient to accumulate a sum equal to the estimated value of the property itself, in as short a period as money loaned, the property will fall in price until the rent bears the same proportion to the value of the property that the rate of interest bears to the principal.

It is perfectly right that the interest on money should govern by its own per centage the rent of all property, because money is the legal representative of all property, and the standard by which its value is estimated. This interest is of the same quality and value as the principal loaned; and the per centage on property must be made conformable. For example: if per centage be in the proportion of one to one hundred, the tenant of a hundred acres of poorly cultivated land, must pay as rent a sum in money equal to the value of one acre of land of the same quality. If he improve the farm and make it produce double, he must pay the value of one acre of improved land for the use of the improved one hundred. He pays more value, but no greater per centage on the value of the land. Money is the standard—if the per centage interest on it be fixed at a just rate, it will equitably regulate the rent of all property, and also secure to labor its earnings.

The value of property depreciates in proportion to the increase of the value of the dollar that measures it. Whenever the value of money increases by a rise of interest, there is a corresponding reduction of the value of property. The diminution of the market value of property, by a rise of interest, may be compared to the moving of a fulcrum on the beam of a scale. As one end of the beam is lengthened, the other end is shortened, so that a pound weight, on the long end, may balance as many products as three, four, or five pounds would before the fulcrum was moved. So with the rise of interest on money, property falls in price, so that one dollar, in money, balances two, three, four, or five times more property, than it did before the rise. Enough property must be added to make the rent equal to the interest on money; for no man will invest his money in property, unless he supposes that the property will yield as good an income as the money he pays for it. Therefore the price of property must fall whenever the interest on money increases, that the incomes from property and from money may be equal. When the power of the dollar to accumulate is increased, no alteration is made in its form, weight, or external appearance, as when the fulcrum is moved no alteration is made in the weight, but the *power* of the weight is increased.

SECTION XII.

THE RISE OF THE RATE OF INTEREST INCREASES THE LIABILITIES OF ALL DEBTORS.

All obligations for the payment of money are based upon money, and hold the same position, with respect to labor and property, that money does. They are private representatives of their amount of money, and being secured on property, call for the payment of a definite sum of money as principal, and a definite rate of interest. When the interest on money rises, property falls in price, so that the value of the bonds, notes, mortgages, &c., payable in money, is increased with respect to property, for they will purchase more; but their value is diminished, compared with money, for the interest on money is greater than the interest on the obligations. Hence the obligations fall below, and will not sell for their par value, although they continue to bear the same rate of interest, and to call for the same amount of money as at the former period. The value of money has increased above its former value, instead of the value of the obligations being diminished, except relatively. The obligations still demand the same amount of money, which will now draw a higher rate of interest, and command a greater amount of property. But the amount of interest which the obligations at present draw, is not increased, and is less than that on money.

For example, if interest rise from six to twelve per cent, a State bond, bearing the former rate, will fall below its par value, but will continue to bear the same rate of interest that it did previously to the rise of interest on money; yet the bond can be exchanged for more property than before the rise of interest. Hence the liabilities of all debtors whose means of payment are in their property, or in their ability to labor, are increased in proportion to the increase of interest upon money; because the full amount of all debts must be paid in money, of which the power to purchase property has thus much increased; or, in other words, the rise of interest has decreased the market value of property and labor, so that two, three, four or five times the quantity formerly required, must be sold to procure money to cancel debts.

The injustice done to debtors by increasing the value of the measure by which the debts were contracted, is evident. It has already been shown that money, the measure of value, constantly fluctuates; that the dollar is the measure of more or less property, according to the rate of interest. If, therefore, debts are contracted when interest is low, and fall due when interest is high, it will require a much larger quantity of property to pay them than was understood in the contract.

The following is a familiar illustration of this principle. A man agrees to make and deliver to another nine yards of cloth. He brings the usual amount of cloth to fulfil the contract, but in the meantime, the length of the yard-stick is increased to four and a half feet, and the cloth falls a third short of the required length. The debtor weaves a third more on the end of the piece, and presents it. The length of the yard-stick is again increased to six feet, and the cloth again falls short. The construction of the yard-stick may allow its length to be increased without additional labor, but the debtor is obliged to add both labor and material to produce the required length of cloth. The additional cloth is fraudulently taken from him by the increase of the length of the measure.

To exemplify the principle with respect to money, the measure of value. The rise of interest on money increases the liabilities of all debtors. A man lends on mortgage of a house and three vacant lots, $1,000 at six per cent interest. The interest on the money for a year is $60, and the house of the borrower rents for $60 a year. The rate of interest increases to nine per cent, consequently, the interest on the $1,000 increases to $90. To make the loan safe at the advanced interest, the borrower is required to erect another house on one of the lots covered by the mortgage. He builds one costing $500, and lets it for $30. The two houses now bring $90 a year, just the interest on $1,000. Interest rises to twelve per cent, and the holder of the mortgage requires the borrower to erect a second house, costing $500, on another vacant lot covered by the mortgage. This house is likewise let for $30. The three houses rent for $120, and the mortgage for $1,000 draws twelve per cent. The mortgage now brings in as much income as the three houses. The $1,000 as much balance the value of the three houses now, as they did that of the one house when the money was loaned; for it now takes the rent of three houses, as it then did that of one house, to pay the interest on the mortgage. Two houses are added by material and labor, and no material or labor is added to the mortgage or money; yet the mortgage or money at twelve per cent interest, is worth as much to the holder as the whole property.

As the value of money increases, the market value of the things to be measured by it decreases, so that it works in a double ratio against producers, for rents of property diminish as interest on money increases. But in the foregoing example, this feature has not been exhibited, no diminution of rent being supposed to take place in consequence of the rise of interest, although experience proves that this is the invariable result.

SECTION XIII.

RENTS, WHETHER HIGH OR LOW, BEAR THE SAME RELATIVE VALUE TO THEIR PRINCIPAL; BUT, WHEN THE PER CENTAGE INTEREST ON MONEY IS INCREASED, ITS RELATIVE PROPORTION TO THE PRINCIPAL IS NOT ONLY INCREASED, BUT EACH FRACTIONAL PART HAS INCREASED VALUE.

It is proposed to show that there is a wide difference between renting property and loaning money, and that the rent and market value of property decrease in proportion to the rise of interest, whereas the market value of money, and the interest upon it, increases in direct proportion to the rise of interest.

If the rent of a farm, store, or house, rise to double, the price of the farm, store, or house is increased to double its former price. If the rent of the farm before the rise be $300 over repairs, &c., and money be at six per cent interest, the farm is worth $5,000. But if the rent of the farm rise to $600, and the farm can be readily let for this price, the price of the farm will be increased to $10,000. Therefore, if the owner invest the income or rent of the farm in other land before the rise of rent, he can buy as much land with the $300, as he can buy after the rise with $600. If the rent of the farm fall again to $300, the price of the farm will fall again to $5,000; but the $300 will buy twice as much land as it would if the rent had been maintained at $600.

Neither the rise nor the fall of rent alters the actual value of the farm, for its productiveness is neither increased nor diminished by either. The nutritive properties of its wheat and corn cannot be altered by the rise or fall of its rent. But the *dollar* received when the rent is $600, is worth only one-half as much as the dollar when the rent is but $300; for when rent is low, one dollar will buy as much land as two will when rent is double. The intrinsic value of the property undergoes no material change, but the standard changes by which its market value is estimated. Now note the different effects of the rise of the rent on property, and the rise of interest on money. Let the rate of interest on money rise from six to twelve per cent, and the rent on property will inevitably fall in about the same ratio. The price of property will of course fall in proportion to the fall of its rent. So, when interest on money is doubled, the value of every dollar received as interest is doubled; for each dollar of interest will buy double the property that it would before the rise. But when the rent on property is doubled, the dollar is worth but half as much as it was before the rise of rent on property; for it will not purchase more than half as much property as it would before the rise of rent.

If the rent on land rise to double, the land itself will sell for double its former price; therefore, the rent will not double its principal of land in any shorter time in consequence of the rise. But when interest on money rises to double, the interest will double the principal in half the time that it would before the rise of interest. When the rent on land rises, the rent continues to hold the same relative value to its principal of land that it did previous to the rise. But when the interest on money rises to double, the relative proportion of the interest to the principal is doubled.

For example: P. lends to Q. for a year $20,000 at six per cent interest. The interest amounts to $1,200. P. invests this income in a farm at the then market price of land. At the commencement of the following year, there is a scarcity of money, and P. re-loans to Q. the same $20,000 at twelve per cent interest. At the end of the year, Q. must pay to P. as the interest on the $20,000, $2,400, twice the sum that he paid the previous year. Scarcity of money and high rates of interest invariably depreciate the price of property. Its price falls one-half, so that each dollar of the $2,400 received as the interest on the money when interest is high, will purchase twice as much property as it would before the rise of interest. Hence, if the interest at six per cent on $20,000 will buy a farm worth $1,200, when the interest on the $20,000 rises to twelve per cent—i. e., to $2,400, and the price of the farm falls one-half, the $2,400 will buy four farms, all as good as the first bought at $1,200. The income from the $20,000 will be worth four times as much as it was before the rise of interest.

Making the calculation in dollars and cents, we shall arrive at the same result. The interest on $20,000 at six per cent is $1,200. Loan the $1,200 at six per cent, and it will accumulate in the ensuing year $72. Now loan the $20,000 at twelve per cent, and we have $2,400 as its interest for the year. Loan the $2,400 at twelve per cent, and it will accumulate in the ensuing year $288, just four times $72. Thus the value of the income at twelve per cent is four times greater than at six per cent, whether it be invested in land, or whether it be re-loaned on interest. With interest at twelve per cent per annum, the capitalist possesses power to monopolize property four times greater than with interest at six per cent per annum.

SECTION XIV.

TO CHEAPEN PRICES BY AN UNJUST RATE OF INTEREST AND A SCARCITY OF MONEY, IS BUT TO CHEAPEN THE LABOR OF ALL PRODUCERS, AND GIVE THEIR EARNINGS TO THE CAPITALIST WITHOUT AN EQUITABLE EQUIVALENT.

When low prices are paid for labor, the prices of products are proportionally low. It is, therefore, generally supposed that the laborer can as readily procure all needful supplies when labor is at a low price, as when it is at a high one. But the articles whose price is diminished by the lowering of labor, are the productions of labor; and the producing classes suffer great injury from this depression of both their labor and products.

The following illustration will exhibit the advantage of high prices for labor. A man raises a hundred bales of cotton, sends them to market, and receives three and a half cents per pound. A laborer in New York receives fifty cents a day for his labor; with a day's work he can purchase fourteen pounds of cotton. If labor be at a dollar per day, and cotton at seven cents per pound, with a day's labor he can purchase the same quantity. If labor rise to a dollar and fifty cents a day, and cotton to ten and a half cents per pound, a day's labor will still purchase fourteen pounds of cotton. Thus far we do not observe the difference of price to have any influence upon the ability of the laborer to purchase; but we have yet to notice the condition of that class of producers who raise the cotton at the first price, three and a half cents per pound. After paying for the use or rent of the plantation one-half the price at which a loan of money can be obtained, say three or four per cent interest on the cost of the plantation, they do not earn fifty cents a day, but, in fact, receive little or no compensation for their labor. The same labor and land are required to produce cotton when it brings three and a half cents, as when it brings fourteen cents per pound. Suppose a workman in New York to buy cotton at fourteen cents per pound; a barrel of flour at $8; wheat at $1 50 per bushel; potatoes at 40 cents; corn and rye at 80 cents; brown sugar at 10 cents; coffee at 12 cents; boots at $3 a pair; shoes at $1; a fur hat at $3; brown sheeting at 10 cents per yard; and good calico at 12 cents per yard. If labor fall to 50 cents per day, and he have full employment, to be as well off as when labor was at $2 per day, he must buy flour at $2 per barrel;

wheat at 37 1-2 cents per bushel; potatoes at 10 cents; corn and rye at 20 cents; brown sugar at 2 1-2 cents per pound; coffee at 3 cents; boots at 75 cents per pair; shoes at 25 cents; a hat at 75 cents; brown sheeting at 2 1-2 cents per yard; good calico at 3 cents; and everything else in proportion. Travelling expenses, rents and taxes, must be diminished three-quarters. All the necessaries of life must be reduced in price three-quarters, or the laborer who is out of debt will not be as well off when labor is at fifty cents per day, as when it is at two dollars per day.

But suppose one class of the laborers to buy at these low prices, what will the producers of wheat, rye, corn, &c., receive for their labor? The reason that the laborer can buy as much cotton when labor is at fifty cents per day, as when it is at two dollars, is, that he buys a fellow-laborer's products at a price which will not pay a cent a day for the toil of producing them. So when the prices for labor are reduced in this ratio, laborers, as a body, are unable to provide themselves with the necessaries of life. The reduction of the prices of labor and products, consequent upon a scarcity of money and a rise of interest, forces producers and merchants to suffer great losses, because the diminution of the prices of products does not diminish the amount of their debts, nor their legal obligations to pay them; while capitalists who own these debts will compel laborers and owners of land and products to sell double, treble, and quadruple the quantity of these, to obtain money to satisfy the debts. Thus wealth passes with great rapidity into the hands of a few capitalists. If the merchant has bought goods at as low a price as they can be afforded by the manufacturer, it is no safeguard against loss by the fall of goods in market, because the market price of the goods does not depend upon the labor necessary to their production, but upon the ever-varying value of the dollar. Our laws make the dollar the real value, and producers and all kinds of property are controlled by its power.

The objection is often urged, that to make money plenty would destroy the value of products. But how would or could it destroy their value, to allow the needy to earn the means to purchase them? Will not a starving people buy products? Does any one suppose that the people of Ireland would live upon their present scanty food, if their labor would afford them the means of purchasing more and better? Was there ever a bad market for products when labor was receiving what are called high prices, or a good market when labor was at a low price? The market is made poor by the inability of the laboring community to earn enough, by their labor, to make purchases. If labor were well paid, the market would always be good, and the laborer, assured of a just reward, would work cheerfully.

Large production, at a fair price, gives a better compensation to producers, than half production at double price. The families of producers require as many products for their support, when products are diminished one-half, and their price is increased to double, as when products were abundant. Therefore the producers cannot sell a sufficient quantity to procure the sum before received, and capital makes the same requisition upon their labor, for rent or interest, as if their crops were abundant.

SECTION XV.

GENERAL REMARKS UPON INTEREST.

Money earns for its owner by an accumulative power; by a power to gather things already produced, and not by a natural power of growth, like that contained in the germ of wheat or grain. Where this power to accumulate by interest is made greater and more rapid than the natural power of production by labor, this law of interest becomes a most powerful engine of evil. It gathers into the hands of a few capitalists the productions of labor, and often deprives the producers of the necessaries of life.

All nations have considered money to be wealth, because it possesses this power to accumulate; but whether made of gold or of paper, it really contains a very small amount of actual wealth. The laws make money a legal equivalent for all property, and give it the power to accumulate by interest. They make $100,000, loaned at six per cent interest, earn for its owner $6,000 a year, without labor on his part, while the labor of twenty men, for three hundred days in the year, at a dollar a day, will earn no greater sum. The labor of twenty men, for a year, would make a visible improvement on a farm; but the interest makes no visible improvement on the money loaned.

Nothing has prevented, nor now prevents, the full employment, and adequate compensation of labor, but the monopoly of money, and unjust rates of interest. All nations and all political parties profess to legislate for the protection of industry. Instead of doing this, they have from time immemorial legislated to support exorbitant interest on money. As the interest on money governs the rent or use of all property, legislation, by fixing high rates of interest, has always supported and increased capital, and depressed labor.

It is impossible for the people of a nation to pay three, four, five, or a higher per centage for the yearly use of property, and also furnish themselves with the comforts and conveniences of life. All the per centage collected for the rent on property, or as the interest on money, must be paid by sales of the yearly productions of labor, which remain, over and above the support of the producers. If a very few rich men, in any civilized nation, should live frugally, and their posterity should do the same, in the course of a few generations they would reduce to poverty nearly every other individual in the nation. Consequently, under present monetary laws, extravagance in the rich, and the frequent inefficiency and imbecility of their children, are great advantages to producers. The second evil is, therefore, necessary to modify the overwhelming power of the first.

The income or interest, legally fixed and maintained upon money, governs not only the rent of property, and the dividends on stocks, but also the entire general income on all other things, because the interest on money is the standard. This income is a yearly tax levied upon producers, which at the present rates is enormous and oppressive. Laws may be made to prevent the entailment of property, to compel banks to divide yearly or half yearly their earnings, and various other laws may be made to prevent the unjust accumulation of property in the hands of the few, and to give the laborer what he really earns; but all these will be of little avail to ameliorate the wrong. But as the per-centage interest is reduced, producers will be benefited; and when it is reduced and maintained at the just rate, the laboring classes will receive the chief part of their own products. The currency is the national standard by which the value of the labor and products of all citizens is estimated, and all are obliged to use it and found their contracts upon it. If a fundamental law, like that of the rate of interest on money, be made just, it will be easily supported by other just laws; but if it be made unjust, it will be difficult to support it, for all the laws which sustain it must necessarily be unjust. A man who utters a falsehood, must support it by other false assertions. A hundred lies may be required to give the first the semblance of truth. So if a nation fix an unjust standard of value, every law which sustains that standard must be unjust. An unjust standard has been used from the earliest ages of which we have a record; but the long use of it will never make it just, more than the long use of a falsehood with a hundred lies to support it, will make the falsehood truth; or the long use of evil, make the evil good. When governments make money unlimited in quantity, at a just rate of interest, laws will be simple, debts paid, labor rewarded, and peace and happiness will pervade the country. Money will be easily obtained in exchange for labor, instead of labor being superabundant, and money scarce. Non-producing capital—i. e., anything which requires the expenditure of labor to make it produce, should bear a low interest. Actual production will then receive a suitable reward.

SECTION XVI.

ESTIMATE OF A JUST RATE OF INTEREST.

From what has been said of unjust and fluctuating rates of interest, it is not to be inferred that money loaned should bear no interest; for without the power to draw interest, money could not exist. It could not be made an equivalent for labor or its products, and consequently could not be maintained as a medium of exchange. We are, then, seeking no extreme measures, but that just medium of interest which shall secure to the whole people the greatest good. We do not advocate the annihilation of interest, but we urge that the amount should not be so great as to oppress the laborer whose toil produces every necessary of life, and even the material for the medium of exchange.

The rate of interest fixed upon money, determines what proportion of the value produced by labor shall be awarded to the capitalist for the use of his capital, and what proportion the laborer shall receive for his toil in making the production.

It is, therefore, important to ascertain what per centage the people of a nation can pay to capital, and still receive a due reward for their labor. To arrive at a just conclusion, we must form an estimate on a large scale, and for a term of years. Take the following as such an estimate. Suppose a country lay off our coast equal in every respect to that of the United States, but in its primitive wildness. Allow those classes of people whose labor makes all improvements, to have the use of the United States in their present condition, with their cities, railroads, canals, farms, goods, wares and merchandise, bank, State, and other stocks, money, &c., for the term of seventy years. At the close of this period, they are to return the property uninjured by use, perishable articles supplied by new ones, and decayed buildings and machinery repaired and renewed. And for the use or rent of all these, they are meanwhile to make in the adjoining new country every improvement already in this; cities, railroads, canals, shipping, improve farms, make money, stocks, &c., &c., and render the country in every respect equal to the United States. At the end of seventy years they must return the United States, together with the new country with all its improvements, and this would only be paying for the use of the property an interest half yearly, at the rate of one per cent per annum.

By making an estimate upon so large a scale, we can form an opinion of the rate of interest money ought to bear. I will repeat the length of time in which money doubles at certain different rates of interest, the interest being paid and re-loaned half yearly. At two per cent per annum, it will double in about thirty-five years; at three per cent, in less than twenty-four years; at six per cent, in a little less than twelve years; and at seven per cent, in a little more than ten years. If the laboring classes can make as many improvements in a new country as now exist in this, and can afford to give the whole improvement for the use or rent of this country for ten years, seven per cent would be a just rate of interest. If the people require twenty-three and a half years to perform this labor, beside making a comfortable provision for themselves, three per cent would be the just rate; if thirty-five years, two per cent; and if sixty-nine and a half years, one per cent should be the rate.

Take the same estimate under a different form. Suppose all species of property in the nation to receive a fair valuation, and its owners sell it on a credit of one hundred years, the interest or rent to be paid half yearly, at the rate of seven per cent on the amount of valuation. Every ten years, the purchasers would pay to the sellers a value in interest equal in amount to the value of the whole property of the nation. If, however, the property were sold upon the same credit, bearing an interest of one per cent, nearly seventy years would elapse before the purchasers would pay to the sellers an amount in interest equal to the value of the principal.

SECTION XVII.

BENEFICIAL RESULTS TO LABORERS AND MERCHANTS FROM THE REDUCTION OF THE RATE OF INTEREST.

It may be said that the reduction of interest on money would cause property to rise in price in proportion to such reduction of interest, and, therefore, the condition of the laborer would not be improved. But whether property rise or fall, or maintain its present price, the reward of labor would be equally increased. To illustrate this position: Suppose H. has a lot that cost him in cash $1,000, and builds a house upon it costing $1,000—together worth $2,000. Interest on money is at six per cent per annum; therefore, to make the property worth the money it cost, H. must let the house for $120 a year, clear of insurance, repairs, and taxes. Labor is then at one dollar per day. Reduce interest on money to one per cent, and, in consequence of this reduction, let the lot and house rise to six times their former price—that is, from $2,000 to $12,000. The interest on $12,000 at one per cent would be $120, the same as when the property would sell for but $2,000. The house could not rise from $2,000 to $12,000, unless labor should rise proportionally—that is, from one dollar a day to six dollars a day. The same amount of labor would as readily build the house at one time as at another. With labor at six dollars per day, the tenant could pay the $120 rent with twenty days' work; whereas, with interest at six per cent, and labor at one dollar per day, it would take one hundred and twenty days' labor to pay the rent, six times more than when interest on money was at one per cent. Now suppose the change in interest to produce no effect upon property, and the house and lot to continue worth only $2,000. The interest on the $2,000 at one per cent would be $20. If property did not rise, labor would not rise, because it would require the same number of days' labor to build the house, and it would take twenty days' labor to pay the rent—the same number of days that it would if the property should rise to $12,000.

A just per centage on money being established, the rise or the fall of property would not affect the relative position of labor and capital. If property should rise in price, the tenant would not be obliged to build another house for the use of one, any sooner than if property should fall in price. He could pay the rent in the one case as easily as in the other, and with the same amount of labor; but a change in the rate of interest would immediately affect him.

The amount of products required as the rent of land would be diminished by reducing the rate of interest. Suppose G. owns a farm of one hundred acres of well improved land worth $100 per acre. H. rents this farm at seven per cent interest on its cost, and consequently must pay to G. $700 a year. If the land produce twenty-five bushels of wheat to the acre, and wheat be worth $1 per bushel, H. must sow, reap, and sell the products of twenty-eight acres, and pay the whole proceeds to G. as the rent of one hundred acres for the year. If interest were at one per cent instead of at seven, the rent of the farm, or of the $10,000 for the year, would be $100, instead of $700; and H. would be obliged to cultivate and sell the products of four acres only to procure one hundred bushels of wheat, or $100 to pay the rent. If he performed the same labor when interest was at one as when it was at seven per cent, he would retain the products of twenty-four acres—i. e., six hundred bushels of wheat as the surplus earnings of his labor, instead of paying them to G. for the use of capital. The reduction of the rate of interest would not lessen the quantity of products, nor decrease their value; it would only give a larger proportion to producers. If G. should cultivate his own farm, he would receive the whole of its products as the earnings of his labor, whether interest were at one, or at seven per cent. But if interest were at one per cent, and H. should rent the second farm, G. could exact but a small proportion of the products of the farm as rent. G. would receive a more just sum for the use of the farm, and H. would likewise receive a more just reward for his labor upon it.

A low and uniform rate of interest would have a most beneficial effect on trade; and of this the following is a practical illustration. Suppose a merchant in the city now pays $2,000 rent for his store, and $800 for his house. His rents must be paid from the profits on his goods before he can gain anything for his own support. Reduce the rate of interest to one per cent, and his rents would be reduced to $400. The interest on his stock of goods would also be but one-seventh its present amount. Estimate his stock at $40,000, and the interest upon it at seven per cent would be $2,800 a year. But reduced to one per cent, the interest would amount to but $400. The saving of interest on the goods, and of rents on the house and store, would amount to $4,800. Suppose the merchant to sell $250,000 worth of goods in a year, he must calculate at least two and a half per cent for guarantee of bad debts. This per centage would be $6,250. Reduce interest to one per cent, and probably it would not be worth a tenth of one per cent to guarantee the debts. In this item, there would be a clear saving of $6,150. Add the $4,800; there would be saved $10,950. The cost of the transportation of products from one part of the country to another, would be greatly reduced; because the per centage to be paid for the use of capital to make internal improvements would be reduced to one per cent.

All this difference of interest would be gained and saved by producers and distributers.

That a low rate of interest would drive specie from the country, is a false supposition. Do the lower rates of interest in England drain that country of its specie? Does six per cent interest in the New England States drive their specie into the Southern and Western States, in which the legal interest is eight per cent per annum? Such is not the fact. Where interest is the lowest, money and specie are the most abundant. If *products* pay a profit by shipment to England, they go forward rapidly to meet the demand. Not so with money. In England, money is often loaned for months together at from two to three per cent per annum, while the New York banks lend at six and seven per cent per annum. For years past, the people of the United States have paid nearly, or quite double, the per centage for the use of money that has been paid in England. Why does not money from England flow in and supply the market, so as to equalize the rates of interest of the two nations? Why do the States which pay the highest rates of interest go abroad most frequently to borrow money, and still have not enough? It is because the rates are so high that the people of these States cannot produce a sufficient surplus to pay the interest to capitalists among themselves, and to other States where the interest, though lower, is still oppressive, to procure the money required to carry on their business. Money is a legal representative, and serves to fix an income, but not to produce wealth. Loan it twenty or thirty times where the interest is high, and every time it is lent it makes an income for the lenders for a longer or shorter period, rhich impoverishes the borrowers, because they must sell heir products to pay the interest. The principal borrowed must soon be returned to the lenders in interest, nd the interest is re-loaned to the people. These high ates of interest serve to make the people paying them ributary to a few money-lenders among themselves, and ther States.

In the United States, if interest were reduced to one, or o one and one-tenth per cent, useful productions would robably increase from twenty-five to fifty per cent. Vealth, instead of being accumulated in a few hands, rould be distributed among producers. A large proporion of the labor employed in building up cities would be xpended in cultivating and beautifying the country. Inernal improvements would be made to an extent, and in a erfection unexampled in the history of nations. Agricul-ure, manufactures, and the arts would flourish in every art of the country. Those who are now non-producers, rould naturally become producers. Products would be wned by those who performed the labor, because the tandard of distribution would nearly conform to the natual rights of man.

SECTION XVIII.

THE LOW PRICES OF LABOR IN EUROPEAN COUNTRIES NOT CAUSED BY THEIR LOW RATES OF INTEREST.

In answer to the principle advanced, that the establishment of a low rate of interest will secure a better compensation to labor, it will be said that money is plenty in all old countries, at a low rate of interest, and that labor is very poorly paid; whereas, in new countries, in which interest is always high, high prices are paid for labor. In England, France, and Germany, money is loaned at two, three, four, and five per cent per annum, and in all these countries the prices of labor are very low; while in the United States of America, in which the lowest legal rate of interest is six per cent, and the average rate double that of European nations, the prices of labor are also double. In former ages, the rates of interest in these now old countries, were very high, and by this means the property was early accumulated in the possession of a few. These few owning the property, and letting it to those who were destitute of the means of paying the rent or interest except by the products of their labor on the property, the lenders could no longer collect the high rates; and a reduction of interest necessarily followed, because laws could not enforce the collection of the higher rates, where the ability to pay them did not exist.

As a general thing, emigrants to new countries are industrious and enterprising persons, who have little property, and seek a new home because they have not the means of purchasing farms, &c., in old settlements. If these pioneers hire laborers to assist them in clearing and preparing their lands for use, they must pay higher wages than are usual in older countries, for the laborers have many hardships to encounter. The first settlers import their provisions until they can raise a crop. The new soil produces largely. All fresh emigrants being compelled to buy provisions until they can raise their own, a constant market is afforded for the surplus products of earlier settlers, and they are, consequently, able to pay good prices for labor. Emigrants to new countries raise the principal part of their provisions, but depend, in a great measure, on older countries for clothing, implements of husbandry, &c. Their products are consumed among themselves; and they have few, if any, to send to cities or manufacturing towns, to exchange for necessary articles. They must send money to buy them; or, if they purchase on credit, the money must be had at the maturity of the debt. This drains off their money. Although they make great improvements, add immensely to the value of their land, and the wealth of the country rapidly increases, yet money is very scarce, and people are compelled to contract debts for clothing, implements of husbandry, &c. Any one who has money to lend can obtain exorbitant interest, and those who are in debt will offer high rates to their friends in older countries, to induce them to loan their money in the settlement. The scarcity of money is so great, that capitalists require the best security that can be offered, to quadruple the amount of their loans. Interest accumulates at the rate of ten, twenty, or a higher per cent per annum, and this rapidly draws property into the possession of capitalists. Every money-lender thinks himself justified in demanding as high a rate of interest as his neighbor. When mortgages become due, property, in many cases, is sold for less than half the cost of the labor to make the improvements upon it. The holder of money can buy property at one-fourth of its actual value, and another who has not the money to pay, will re-purchase it at a large advance, paying a small portion down, and agreeing to give a high rate of interest on the remainder. He makes what is termed a good bargain in the purchase. In this way interest is maintained at enormous rates. Lands and improvements are rapidly concentrated by capitalists.

In new and thinly settled countries, where fertile lands are at low prices, the people do not starve, even when they are charged ten, twenty, or even thirty per cent per annum on borrowed money and property; but these rates of interest concentrate the property rapidly into the hands of a few, and break up and keep hundreds of thousands of laborers poor. They can, however, generally find employment by which they can obtain their food. But as countries grow older, the population more dense, lands higher in price, and concentrated in fewer hands, the mechanical arts begin to flourish, and manufactories are established, in which hundreds of workmen labor for their daily support. The manufactures are carried on by individuals, by firms, or by incorporated companies. If money become scarce, and interest increase to double, treble, or quadruple the ordinary rate, the prices of goods inevitably fall, the wages of the workmen are reduced, and great numbers are thrown out of employment. The demand for goods rapidly decreases, for producers generally have become impoverished, and are unable to purchase their usual supplies, and many of them must subsist by charity. If the scarcity of money and the high rates of interest continue, the manufacturers too must break; for to pay the same amount of debt, they must sell twenty-five or fifty per cent more of their goods than when interest was at the lower rate.

Although the rates of interest in all old countries are much lower than in newer countries, yet they are sufficiently high continually to concentrate wealth, and to increase more and more the number of the poor. In all the old countries, the established rates of interest are high enough to concentrate the wealth in a few hands, even in a *new* country; not, however, so rapidly as the higher rates of interest which are usually paid in newer countries.

In consequence of our higher rates of interest, the property of the United States is concentrating in the hands of a few men much more rapidly than in older countries. This concentration will continue until the rates of interest are reduced below the rates obtained in the older countries.

The fluctuations of the rates of interest, in all countries, render it difficult to offer any very clear illustrations of their bearing upon labor, except upon general principles. In England, the rates of interest vary according to the necessity of the borrower, from one, two, or three per cent per annum, to four, five, six, seven, eight, nine, ten, eleven, and twelve per cent; and similar variations of interest, though at much higher rates, occur in our own large cities, and to a considerable extent in our towns and villages. Let twelve different nations, however, fix twelve different rates of interest, maintaining the rates uniform, the first at one per cent, the second at two per cent, and so on to twelve per cent, and the concentration of wealth in few hands, in the different nations, would increase in nearly the same ratio with the rates of interest. The ratio would be almost exact, except for the profligacy and extravagance of many of the rich, and the benevolence of others. This general principle will hold good, whether the country be new, rich, and fertile, or whether it be old or poor, because the accumulation is according to the rate per cent. A copper cent, loaned at six per cent interest per annum, will double its principal in precisely the same time that a gold eagle, at the same rate of interest, would double its principal. It is a mistaken idea, that it is right to pay a higher rate of interest in a new and fertile country, because production is more easily made. If labor will produce a greater quantity of products, capital has no right, through an unjust standard of accumulation, to take them without rendering a just equivalent; but if the rate of interest be too high, it will inevitably do so. There is no more justice in increasing the rate of interest, on account of the facility of production, than there would be in increasing the size of the bushel, because labor would produce more bushels of grain.

In all ages and nations, the rates of interest maintained have been so high as continually to concentrate the wealth in a few hands. When the wealth of a nation becomes thus concentrated, the producers and distributers who are destitute of property, are compelled to borrow money, and rent property, from its holders. Then every few years, there is a general breaking up; property and products fall in price, and the difficulties are attributed to over-production, over-trading, and various other things, instead of to the real cause, which is, that interest has been running for a few years, and has nearly absorbed the principal borrowed or rented, and left the people destitute of the means of payment. Suppose the whole property of a nation to be accumulated in the possession of one man, (for this shows the principle more strongly,) then all other individuals would be compelled either to buy the property on credit, or to rent it. If he should charge three per cent per annum on the money or property, it could hardly fail to keep nineteen-twentieths of the people in perpetual poverty. Although for a few years they might appear to be prosperous, yet no prosperity could possibly be permanent, because the rent, or interest, would certainly absorb more than the people could earn. A rate of interest of even two per cent, would produce the same periodical seasons of depression, although they would not be so frequent, nor have so paralyzing an effect, because there would be many more owners of property, and the general indebtedness of the people not nearly so great, as it is at the higher rates of interest. It cannot then be true, that the low rates of interest maintained in the old countries, are the cause of the low prices of labor, and the poverty of producers, but on the contrary, the former high rates of interest concentrated property in a few hands, and the present rates of interest are sufficiently high to continue the concentration, and prevent the reward of labor. High rates of interest have been, and are, the cause of the poverty of producers in all nations.

In England, by the average rate of three per cent interest, the labor is compelled to double the entire capital of the nation, in the hands of its holders, in twenty-three and a half years, besides which, the laborers must furnish their own support. But this is not the only cause of the depression of labor in Britain. An enormous sum of money was borrowed by the government of its wealthy citizens, and expended in wars. This National Debt amounts to about $4,000,000,000, the annual interest on which, at an average of three per cent, is $120,000,000, which the people must pay by an annual taxation of their products. Labor receives no benefit from it. The money is not invested in land, nor in anything else of which the labor has the use by the annual payment of the interest. This interest on the National Debt is additional to the too high rate of interest already charged on all the capital actually employed.

It is commonly supposed that the land-owners of England are the oppressors of the toiling multitude. The power to lease land, at the present rates, is given by law, by fixing the present rates of interest on money. The oppression by loaning money, however, is greater than that by leasing land, because the rates of interest on money are continually fluctuating, and the oppression of the producing classes, by its power, being indirect, can be made greater. The income of the holder of English government securities is earned by the operatives in the mines and the factories, and by the seamstresses and various workwomen in the cities. But the bond holder comes in direct contact with none of these. His income is paid by the government, which gathers it from every branch of industry in the country by grievous taxations. Does it not beggar the producing classes to pay the interest to the money-owner, as much as to pay the rent to the land-owner? Are the operatives in the manufacories and mines any better provided for than the laborers on the soil? Overgrown landed estates have generally been acquired through exorbitant interest on money. The only way to eradicate the oppression caused by holding them at high rents, is to reduce the interest upon money to such a rate that the products of labor will legally go to those who perform the labor, instead of going to the owners of capital.

The laws of the British government, respecting money, as much compel the producing classes to toil for capitalists, as the laws of our Southern States compel the slave to work for his master. The former work harder, and from a quarter to a third more hours than the latter; and then are neither as comfortably fed and clothed, nor as much cared for by those who reap the reward of their labor. The slave is legally the property of his master. In sickness, the master provides him with medical aid, and supports him when age renders him unable to work. If there be no higher motive, the interest of the master will induce him to attend to the preservation of the life and health of his dependants. Not so with the employers and operatives in the mines and manufacturing establishments of England. When the operatives are in health and have full employment, I doubt whether they have more of the comforts of life than the generality of Southern slaves. And when sick or unable to work, their situation is far more deplorable. During suspensions of business, we have heard of the starvation of those who would gladly work; but I do not remember an instance in which a slave, even when old, has been starved by his master. There may be such instances, but they are not like the former, of frequent occurrence. The master is bound by his own interest, and by law, to provide for the slave. But the moneyed or landed capitalist is bound neither legally, nor by his interest, to provide for the laborer. His capital is at his own disposal, and the laborer's capital, or ability to labor is also at his. Stern necessity, however, compels the latter to toil, for otherwise he must starve. If he die of want, his loss is not felt by his employer. His place is eagerly filled by another, equally destitute. Every dollar that passes into the hands of the receiver of interest, is representative of products, and all the excess, above a just rate of interest, is taken from the rightful earnings of the laborer. The master takes the earnings of the slave directly; the capitalist takes the earnings of the laborer indirectly. Without the intervention of the government, which collects the interest by various taxations, so that the means of oppression are somewhat concealed, the people would refuse to submit to the injustice, and revolution in this system would naturally follow.

If the national rate of interest, in Britain, on all bank and private loans, and on the National Debt, were reduced to one per cent, and the interest were regularly paid, the bonds of the government would always be at par. A hundred pounds of the National Debt would be worth as much as a hundred pounds in coin, or a hundred pound note of the Bank of England. Now this bank and private bankers continually vary the rates of interest. At some periods they charge two, three, or four times more than at others, while the bonds of the government bear a regular rate of interest. Therefore, when the bank and branches lend at a low rate, the government securities rise in price; and when they lend at very high rates, the government bonds depreciate.

Suppose the interest on the National Debt were reduced from three to one per cent per annum. This simple procedure would save to the laboring classes eighty millions of dollars worth of their products. If interest on loans of money by the Bank of England, capitalists, and brokers were reduced to one per cent, it would increase the saving to the laboring classes to some two or three hundred millions annually. The per centage income upon capital can only be paid with the proceeds of labor; therefore, this reduction of the per centage income would be equivalent to the distribution of this large sum of two or three hundred millions among the laboring classes, according to the labor performed. The effect of so large an annual distribution among this class would be to diffuse, in a few years, competence and happiness where now exist only poverty and misery.

The maintenance of a rate of interest of one, or some other per centage lower than this, would soon and forever end the periodical depressions of trade, of labor, and of the prices of products, and the general oppression of the laboring classes.

CHAPTER IV.

THE BANKING SYSTEM.

SECTION I.

THE NATURE OF BANKS, THEIR INSTITUTION, AND THE PRINCIPLES BY WHICH THEY ARE GOVERNED.

Banks, like other incorporated companies, receive their chartered powers by legislative enactments. These charters make it incumbent upon the banks to divide their gains in dividends to their stockholders, and to report to the legislature yearly, or oftener, their situation and standing. It is presumed that the publishing of these dividends, and of the reports to the legislatures, will keep the people informed of the doings and utility of the banks. Yet the practical operations of banking, and their special and general influences for good or for evil, are hidden from the public view. Causes are felt to be in operation which the people cannot comprehend—the changes of the market value of property, and the prices of labor, are accounted for by the abundance and scarcity of money; but why money is scarce at one time, and abundant at another, is to the great body of the people utterly unknown.

It is the intention of the author to place the institution and operation of our Banking System fairly before the producers of the nation, that its effects upon their interests may be clearly understood. Producers themselves will then determine whether they will change the system for one to be established on right principles, that will act for the good of all—or continue the present one, the effect of which, for ages, in this and other countries, has been to accumulate wealth in the hands of a few, to the constant injury and hopeless poverty of the many.

The Constitution of the United States declares, Act I., Sec. X.—" No State shall emit bills of credit, make anything but gold and silver coin a tender in payment of debts." A bill of credit is a representative of property A bank bill is a bill of credit; it is taken for the amount of value, or property, set forth upon its face—and if it does not actually represent that value, the owner must suffer loss.

The General Government has reserved to itself the right to coin money and emit bills of credit. It has, at least impliedly, assumed the obligation to provide a representative of the property of the people to the extent required. It has, however, neglected to supply the necessary kind and quantity of money to effect those exchanges essential to the interest and welfare of all civilized communities. The consequence has been an attempt of the State governments to supply the deficiency by the institution of banks. The mode of instituting banks has been various—but however instituted, experience has shown both their unfitness to fulfil the *public purposes* of their institution, and also their unequaled power as instruments for gathering the earnings of labor to capital, without any adequate return.

The nature of banks is sometimes said to be similar to that of manufacturing companies. It may be well to remark their resemblances and their differences. The chief point of resemblance in their constitutions is, that the stockholders, both in manufacturing companies and in banks, are bound only for the amount paid in as capital stock, and are not liable for any further debts of the institutions. In this particular they are on the same footing. But in other respects they differ widely. Banks are chartered in order to furnish the people with a representative of value, or a currency by which their soil and products may be exchanged. Manufacturing companies are chartered in order to facilitate the manufacture of cloth, or of other useful articles for the support and comfort of man. Banks deal in representatives of property, and the interest on these representatives is the source of their gains. Manufacturers gain by increasing the amount of actual products. Combinations of machinery diminish the expense of producing useful articles. Still, although manufacturing companies may have an equal amount of capital with banks, say from $100,000 to $2,000,000, yet any man may manufacture articles made by companies, or any number of men may combine for the same purpose, without a charter or any other legislative authority. They have as much right to sell their articles in market as chartered companies. If banking institutions and manufacturing companies be of the same nature, why do not legislatures allow individuals, however small their capital, to manufacture and circulate their notes as money, as well as to allow individuals to manufacture goods and sell them to any one who will purchase them? Why, too, do they limit the amount of business that banks may transact, and leave manufacturing companies to be governed by the discretion of their directors? If bank-notes be merchandise, why not allow banks to sell their notes for other merchandise, instead of loaning them for an interest in money? Why do legislatures limit the interest that banks may charge for the use of their bank-notes, more than they limit the prices of goods manufactured by chartered companies? It is because the notes issued by banks are made a public medium of exchange for all property, even for the goods of chartered manufacturing companies, that their quantity, and the interest upon them, are legally restricted. It is true that legislative action has thus far accomplished very little towards the regulation of a currency; but these restrictions upon it, and the necessity for legal authority to create it, prove that its character is regarded as not merchandise.

According to our present laws, to establish a bank, the parties who are desirous of banking petition their State government for a charter granting to them the privilege. The petition states that the bank is needed by the public, yet we shall see presently that it is not only for private purposes, but that it is to be conducted solely for the benefit of the stockholders. The charter, according to law, requires the parties, or the stockholders, to furnish a certain amount of money, which constitutes the capital stock of the bank. When the stock is paid in, the bank becomes an office of discount and deposit, and is authorized by its charter to issue and loan bank-notes to circulate as money. In the State of New York the banks are authorized to discount two and a half times the amount of their capital. For instance, if the stockholders pay in, say one million of dollars as capital stock, the bank is at liberty to discount or loan out to the people two and a half millions of dollars. Without a bank charter, the men who own the million of money, which constitutes the capital of the bank, could loan only one million of dollars. In granting the charter, the legislature grants to these few individuals the privilege of charging the people seven per cent interest on one and a half millions of dollars never owned by the stockholders. The bank issues bank-notes bearing no interest, and exchanges them for the endorsed notes of the people, bearing interest. The bank gains the interest for the use of the bank-notes.

[Money is popularly said to *bear such a rate of interest*, as if the money itself bore the interest. But, in fact, money bears no interest; the *obligations given for the use of money bear the interest;* for when money circulates in making cash purchases of commodities and property, in which no obligations are given, there is no interest paid.]

The bank pays no interest upon the money deposited in it, and charges interest on all the endorsed notes given in exchange for bank-notes taken from it. The interest upon one and a half millions of dollars' worth of endorsed notes, at seven per cent, amounts to one hundred and five thousand dollars a year. This sum of interest is paid on a capital which is entirely fictitious, so far as the bank is concerned. If there be any capital furnished for this one and a half millions of dollars, it is furnished by the endorsed notes that the people give in exchange for the bank-notes. The solvency of the bank for one and a half millions, depends upon the goodness of the endorsed notes received from the people, and not upon its own capital; for however safely its one million of capital may be ied, it can redeem but one million of liabilities. If the k should lose a million of dollars by bad debts, or rwise, the redemption of the balance of the $2,500,000, , $1,500,000, would depend entirely upon the security ished by the endorsed notes of the people. If only 00,000 were lost, the entire loss would fall upon the kholders, for this amount is comprised in the capital he bank; and, by the charter, is made first liable for losses which may be sustained. But the remaining 00,000 of bank-notes loaned could not be redeemed ss the endorsed notes given by the people in exchange the bank-notes were against persons able to pay them. he people were able to pay only a part of these notes, only a part or a certain per centage of the bank-notes ld be paid; and, if no part of the endorsed notes could collected, the million and a half of bank-notes would be tal loss to the holders.

he original $1,000,000 of capital has little basis of ie, and the surplus $1,500,000, issued over and above capital, has none. It is based upon a privilege granted he government to a company of men to make bank-s bearing no interest, and exchange them for the en-ed notes of the people bearing interest. True, all k-notes are made payable on demand in specie, and if s refuse to pay specie they are liable to forfeit their ters. All obligations between individuals, even to k-accounts, are legally payable in specie, as much as -notes; all debtors are liable to prosecution if they se to pay their debts in specie. The law which re-es banks to redeem their notes on demand in specie, not furnish them with specie for that purpose more than it furnishes individuals with specie to redeem their notes, and to pay their debts. Nearly three times the whole amount of specie in the banks in the State of New York, from 1835 to 1845, would have been required to pay their deposits, at any one time during that period without redeeming in specie one circulating bank-note. If specie should be generally demanded, the laws could not enable the banks to pay their notes and deposits in coins, nor individuals to pay their notes and debts in coins.

The principle upon which the contracts between banks and the people are made, may be illustrated by supposing the government to fix a value upon ten silver spoons belonging to John Doe, and make them a tender in payment of debt. As they are not sufficient in amount to form a currency, John Doe is empowered to make twelve paper spoons for each silver one, all of which paper spoons are made payable on demand in silver spoons. He retains the ten silver spoons, and loans at seven per cent interest the one hundred and twenty paper spoons which he has made on the credit of the silver spoons. He charges interest upon the paper spoons which he loans, and receives in exchange for them good endorsed notes payable in two, three, or four months in silver spoons. All the paper spoons loaned to the people are payable in silver spoons on demand at John Doe's office, who has but ten silver spoons to pay the one hundred and twenty paper ones. If the holder of ten paper spoons should demand and take the ten silver spoons, John Doe would be obliged to make the endorsed notes which he had received from his customers for paper spoons redeem the remaining one hundred and ten paper spoon notes. All these were based upon paper, and must be paid again in paper if they are paid at all. Still, he would receive from the people interest upon a hundred and ten silver spoons which he never owned, and this by means of a legislative charter granted to him because he was the owner of ten silver spoons. If the legislature would not sanction the balancing of these debts with paper, the people could never pay Doe in silver spoons the endorsed notes they owed him; nor would Doe be able to redeem his paper spoon notes by silver spoons. Neither the people who owe him the notes have silver spoons to pay him, nor has he any with which to pay his spoon bank-notes. The drawer of the ten silver spoons would engross the whole tender upon which all the contracts were based.

In general, debts are contracted for land, labor, and products; but none of these is a tender in payment for debts. Debts are payable in a tender established by law, but are generally paid in bank-notes which are used as a substitute for the tender. Admitting, then, the silver dollar to possess intrinsic value equal to its nominal amount, how is it possible for it to make twelve representatives of itself, and make each one of the twelve as valuable as itself, when at the same time any one of the twelve has power to demand and take the silver dollar, and thus to leave eleven destitute of any basis of silver, and incapable of being paid in it?

If paper money be allowed to pass as representative of specie, there should be a silver dollar for every paper dollar. Otherwise, the paper money cannot represent specie. A silver dollar cannot be represented by two paper dollars, each of which would be as valuable as itself, more than the owner of one acre of land can give two deeds, each for the one acre, to different individuals, and make both deeds good, when he has but one acre of land to satisfy both. The first deed must take the entire acre. If the second were of any value, it must be made so by offsetting the consideration given in payment for the deed, and not the land which the deed purported to secure. If paper money be allowed to circulate, it should not be under the pretence that it represents what it does not and cannot represent.

In April, 1838, the State of New York passed a General Banking Law, allowing any number of individuals to associate together and establish a bank, provided they furnish a capital of not less than $100,000. To secure the public from loss by the issue of bank-bills under this law, the bank deposits with the Comptroller an amount in bonds and mortgages, or State stocks, equal to the amount of bank-bills which it is authorized to issue. The bills are then countersigned by the Comptroller. If the bank fail to redeem the bills, the Comptroller is empowered to sell the bonds, and redeem the bills with the proceeds.

This mode of supplying the public with money is deemed by many a very safe one. Still, during the first six or seven years which this new system was in operation thirty-four banks failed, and did not redeem their notes at par. Some paid only twenty-five or thirty cents on the dollar. Others paid a per centage varying from thirty to ninety-four cents. Of forty banks closed by the Comptroller, only six redeemed their circulation at par. At the time of the Comptroller's sale of the securities given for the redemption of their bank-notes, the forty banks had a circulation of $1,233,374. The circulation of the six banks of which the notes were finally redeemed at par by the Comptroller amounted to $120,729, leaving a balance of circulation of $1,112,645, which was compromised at rates varying from twenty-five to ninety-four cents on the dollar. Doubtless, a large amount of these notes were bought up by brokers at a much greater discount than that at which they were eventually redeemed by the Comptroller, so that the public lost probably from $700,000 to $800,000, besides the losses of depositors which do not appear.

It may be said that the securities placed with the Comptroller were not the bonds of the State of New York, but those of other States; that these States failed to pay their interest, and consequently their bonds depreciated greatly below their par value, and were not good security. True, but at the time they were taken by the Comptroller, they were deemed good security for the redemption of the bank-notes. It must be remembered, too, that in 1837 the bonds of the State of New York, bearing an interest of six per cent, sold at about thirty per cent below their par value. The securities pledged with the Comptroller at the present time are of the same nature as those then pledged. If the interest on money should now rise as high as then obtained on loans of bank-notes, the bonds of the State would again depreciate below their par value as much as in 1837. The same loss of confidence in the ability of the State to pay its debts would exist, because rates of interest at two, three, and four per cent a month so rapidly increase the indebtedness of the people, that their wealth is soon transferred to a few capitalists, who are enabled to control the rate of interest, and consequently the market value of State bonds and property. As long as money may be obtained on good securities at six or seven per cent interest per annum, the bonds of the State, bearing six per cent interest, will command at least their par value. Only so long as banks and capitalists choose to keep the rate of interest as low as six or seven per cent, will these State bonds continue safe for the redemption of the bank-bills.

We will now see by whom the security of this banking capital is furnished, and by whom the interest upon it is paid. In order to provide capital for a bank, the individual who desires to establish the institution must buy State bonds to secure the bank-notes which he intends to issue. He invests $100,000 in bonds, on which the people pay him six per cent interest. Although his money is invested, yet he receives $100,000 in bank-notes, countersigned by the Comptroller, upon which he is authorized to bank. Adding a few thousand dollars in specie to his bank-notes, he opens an office of discount and deposit, loans out the $100,000 in bank-notes, which he received from the Comptroller, and perhaps $100,000, or $150,000 more received from the people in deposit, on which he pays no interest. He charges interest on all the money he lends. If the people should call upon him to redeem his bank-notes, and pay their deposits in specie, he would probably not have more than $10,000, $20,000, or $30,000 in specie; and if there should be a run upon the bank, this would not meet the demand for a single day. The banker would be compelled to suspend specie payments. What would then secure the remaining indebtedness of the bank except the endorsed notes of the people, and the State bonds, for which the people are responsible? The banker is not liable beyond the capital invested. He loans his money on securities furnished by the property of others.

The object of this Banking Law was the security of the bank-notes. This object, as we have shown, has not been realized. The people have not only lost $700,000 or $800,000 by the failure of the banks to redeem their notes, but the depositors also have lost large amounts. Deposits in a public banking institution should be as secure as the bank-notes circulated; but for these no provision is made by the law. Bankers, under the sanction of the General Banking Law, obtain an interest from the people on two or three times more property than they actually own. This law, as also all other laws granting banking privileges, creates a fictitious capital for which the people are compelled to pay interest five or six times greater than they can afford for *real* capital and justly reward labor. It has operated to enrich bankers and capitalists, instead of operating for the benefit of the people.

SECTION II.

OF THE AMOUNT OF SPECIE OWNED BY BANKS, AND THE INTEREST PAID BY THE PEOPLE ON THEIR ISSUES AND LOANS.

We will now estimate the proportion of capital stock furnished in specie by the stockholders of the banks in the State of New York, and the proportion furnished by the balancing power of paper against paper. The following table, taken from the State Register, shows how much of our present currency is based upon specie, and how much is based upon paper notes:—

BANK REPORTS FOR 1844–45.

COMPARISON OF THE PRINCIPAL ITEMS, AT QUARTERLY PERIODS, FROM FEBRUARY, 1844, TO FEBRUARY, 1845, INCLUSIVE.

	February 1, 1844.	May 1, 1844.	August 1, 1844.	November 1, 1844.	February 1, 1845.
Capital	$43,649,887	$43,462,311	$43,443,005	$43,618,607	$43,674,146
Circulation	16,335,491	18,365,031	18,091,324	20,152,219	18,513,402
Canal Fund	1,483,843	1,506,167	1,210,794	1,534,553	1,607,579
Deposits	29,026,415	30,742,289	28,757,112	30,391,622	25,976,246
Due Banks	15,610,554	15,467,494	16,102,922	14,431,103	11,501,102
Loans and Discounts	$70,025,734	$74,527,858	$75,546,592	$77,347,718	$70,888,578
Stocks and promissory notes	11,052,458	10,362,330	10,648,211	10,773,678	10,244,043
Specie	10,086,542	9,455,161	10,191,974	8,968,092	6,893,236
Cash items	4,502,479	5,999,952	4,916,862	6,047,528	4,839,886
Bank-notes	2,275,172	3,148,421	2,511,326	2,368,467	2,387,008
Due from Banks	10,267,207	8,817,179	8,359,328	8,767,513	7,684,308

From the foregoing table, it will be perceived that the banks were indebted at the above period to the amount of from $101,272,468, up to $110,128,104. Their average indebtedness, including the refunding of the capital stock to the stockholders, was $106,931,004. The average amount of their specie at the different periods as above, was $9,119,001. Deduct the specie from the indebtedness, i. e., $9,119,001 from $106,931,004, and we have left $97,812,003, which sum must have been cancelled by paper.

The original capital of the banks is not specie. The bank-notes of one bank form the capital of a second, and those of the first and second the capital of a third. This is called a specie capital. Actually, our banks have specie enough to redeem only about one-fifth part of their capital stock. The balance of their capital stock, the redemption of the bank-notes in circulation, and the payment of the deposits, are secured by the endorsed notes of the people, binding the property of the drawers and endorsers. Their property as much secures the bank-notes, as it does their own notes. The bank notes are representatives of the property of the people, and not representatives of the property of the banks. Not a single dollar of the paper issues, over and above the actual amount of specie, is secured by their capital stock, because, if none of these endorsed notes and bonds of the State were ever paid, not a single dollar of the indebtedness of the banks, either for bank-notes or deposits, above their actual specie, would ever be paid. The $97,812,003 would be a total loss to the holders of the bank-notes, to the depositors, and to the stockholders.

The interest collected on the endorsed notes and State bonds supports the banks, and pays all their extravagant expenditures in granite buildings, salaries of officers, &c. They can pay their presidents and cashiers from $3,000 to $5,000 each, and other expenses, house-rent, &c., in proportion, to the amount of $40,000 or $50,000 yearly. They can also pay to the stockholders from three, to five, six, or seven per cent in dividends every six months. The banks under legislative authority make the public furnish the capital, and then pay interest on this capital. But although the industry of the people supports the whole, they have no voice in the management. The directors in banks can at any time call upon them to pay off their notes and cancel the bank-notes; and if they fail, they are blamed for over-production and over-trading. When banks call in their issues rapidly, and distress the people, the directors in the banks are said to be prudent and judicious managers. If the people should demand specie, the banks could not pay it, unless they could collect it out of the endorsed notes of thepeople. This could not be done. These endorsed notes were never founded upon specie, because the drawing and endorsing of the notes by the people, and the engraving of the bank-notes by the banks, and the exchange of the bank-notes for the endorsed notes, do not create gold and silver coins to pay either the bank-notes or the endorsed notes. There has never been a time when the banks could have paid specie for a week, for their average deposits are more than three times their whole amount of specie.

The table shows that the average amount of the capital of the banks in the State of New York, during the period mentioned, was $43,569,591, and their average indebtedness was $106,931,004. The difference of these two sums is $63,361,413. The annual interest upon $63,361,413, at seven per cent, was $4,435,333, which the people of the State paid to the stockholders and officers of the banks for furnishing bank-notes with which to transact business. The people wrote their own notes, had them endorsed, and took them to the banks to be discounted. The banks engraved their bank-notes, and gave them in exchange for the endorsed notes. For engraving these notes, and making these exchanges, the people of the State paid to the banks annually $4,435,333, or as much as the farmers of the State received for four millions four hundred and thirty-five thousand three hundred and thirty-three bushels of wheat, at $1 per bushel. The labor of producing such an amount of wheat was great; the labor of producing the bank-notes was very small, yet the interest paid on these bank-notes would have bought this quantity of wheat. At the end of the year the people of the State returned all the bank-notes to the banks, together with the value of this large amount of wheat to pay the year's interest. The same amount of interest accrued every year, and called for the same amount of their products. They sold their products in market, and paid the interest to the banks with the proceeds of the sales, the same to them as if they had carried their wheat and products directly to the banks to pay the interest. If the entire capital of the banks had been specie, the people would have paid the same amount for the use of the bank-notes which would have been issued over and above the specie.

The interest yearly paid for the use of $63,361,413, in bank-notes, was a legal equivalent for the four millions four hundred and thirty-five thousand three hundred and thirty-three bushels of wheat yearly raised upon a certain quantity of land; and the legal value of the $63,361,413, in bank-notes, was equal to the actual value of the land, and the labor necessary to produce the wheat. The power of the bank-notes was an exact balance against products and the land upon which they were produced. If the quantity of money was at any time diminished, and the rate of interest increased, a larger amount of products was required to balance the smaller amount of money, and a larger amount of products to balance the interest on the smaller amount of money. Still this money must have been used to balance products, for it was the only public representative of value, and must have been employed as a tender, or as a substitute for a tender, in payment of debts. The promise of the banks to pay specie for their bank-notes on demand, does not enable them to pay the specie, nor does it alter the monopolizing power of the interest on the money over products.

If our bank-notes are good for the purchase of property by the people, certainly they should be equally good for the purchase of property by the banks. Let us reverse the relative positions of the banks and the people. Suppose, instead of lending their money to the people to buy property, the banks should buy it with their bank-notes, and let it out to the people. This would put the bank-notes into circulation, and the banks would be the landlords of the property, instead of being the owners and lenders of the money. Let the people then call upon the banks for the redemption of the bank-notes in specie, and in default of payment sue them; and if they wish to borrow bank-notes to save their property from sheriff's sale, charge them one, two, or three per cent a month for the use of the bank-notes. Let the banks try to rent their property so as to make the rents pay these rates of interest. This would only place the stockholders in a position similar to that in which they now often, though indirectly, place the people. It is evident that it would be impossible for them to redeem their bank-notes in specie, or to redeem them in any way except by selling their property and taking these bank-notes in payment, as the people now give their notes to the banks and pay the discount, and when their notes become due, collect these bank-notes together, and take them to the bank to redeem their endorsed notes. If the banks should buy the property with their bank-notes, and their friends should guarantee the property worth the price paid, the property and the guarantee would secure the bank-notes. It would only place the banks under the necessity of cultivating their property, and selling the products to pay the interest. It would be as possible to redeem the bank-notes in specie, under the supposed circumstances, as it now is. If the banks were called upon to redeem them now, they would crowd the people, and sell their property, and in the supposed circumstances, the people would crowd the banks, and sell their property. In both cases the debts must be cancelled by offsetting the property against them, for they could not be redeemed in specie.

It is perfectly obvious that our legislative bodies have founded our banking system on false pretences—upon promises the banks neither can, nor expect to fulfil. The only reason why the banks can exist upon such a basis is, that the people do not demand the specie for their notes and deposits. The government enacts a law binding all debtors to make their payments in specie, when it is perfectly well known that specie does not exist in sufficient quantities to enable them to fulfil the requirement. More than eleven-twelfths of the debts between the banks and the people are contracted by a paper balance, and have no reference to specie. Of course, the only means of paying them is by balancing one paper note with another.

If the banks, or the people, or the government should in every case exact what the laws require, it would be impossible to meet the demand. If the three should exact specie in payment for their obligations, it would inevitably bankrupt them all, and almost certainly cause starvation in the midst of abundance, if not civil war. If the governments of the States as well as the General Government should refuse to take bank-notes in collecting and disbursing their revenues, probably the people could not pay their duties and taxes. The necessary withdrawal of specie to meet these engagements would at once cause the banks throughout the Union to suspend specie payments. The need of money would then compel the people to petition the legislatures of their respective States to sanction this suspension, and allow the banks to continue to discount without paying specie on demand. They would, however, still be allowed to charge interest upon all the endorsed notes of the people received in exchange for the bank-notes which would then be avowedly destitute of any basis of specie.

Can anything be more directly opposed to every principle of justice, than laws requiring the performance of impossibilities? Laws which, if the people should attempt to execute, instead of promoting peace and happiness, would cause the greatest calamities that could possibly befall a nation. It is essential to good government that the interest and welfare of the people should require the execution of its laws, and whenever their violation becomes necessary to the public good, it is self-evident that there is something radically wrong in the government itself. A government should never allow anything to pass as a substitute for money; the tender itself should be equal in amount to the wants of business. The law making gold and silver the only tender in payment of debts, is well adapted to build up and sustain monarchical governments, because it must infallibly accumulate property in the hands of a few, constituting aristocracies, which are essential to this form of government; but the same reason that qualifies it so admirably for this purpose, renders it incompatible with a government having for its sole object the welfare and happiness of the people.

SECTION III.

BASIS OF THE BANK OF ENGLAND.

The Bank of England is established upon a basis similar that of the banks in the United States. Endorsed ites secure the bank-notes, and not the specie held by e bank. The bank-notes are not representatives of ecie. Her bullion seldom much exceeds the amount of r deposits. Should depositors draw the specie, the ly way in which the bank could redeem her bank-tes, would be to take them in payment for the endorsed tes she holds against individuals. If these endorsed tes were not good, the bank-notes would be worthless. iese endorsed notes are secured by the property of their awers and endorsers; their property, and not the prop-ty of the bank, secures the bank-notes.

The Bank of England first issues £14,000,000, on gov-ament securities. This is making paper balance paper. gives to the bank no ability to pay the £14,000,000 bullion. If two individuals should exchange obligations £14,000,000, this exchange would not produce llion to pay either obligation. The bank-notes for 4,000,000 have not a fraction of value, except in so far they are secured by the government bonds, and these nds are secured not by the bank, but by the property d productive industry of the people of England.

All the gains of the bank by the recent rise of interest, were unfairly taken from the industry of the people, and appropriated to the stockholders of the bank. The idea was given out that the bank was compelled to raise the rate of interest in order to be able to pay specie for her obligations. If the bank had been established upon a proper basis, and had loaned her money to aid the productive industry of the nation, at a low and uniform rate of interest, instead of making her loans to stock-jobbers and brokers to re-loan at high rates, the recent crisis, or any former crisis in her monetary affairs could not have happened. But the bank is established upon a false basis, promising to pay specie which she has not and cannot have. Therefore, in the recent crisis, she was compelled to loan her money to brokers and stock-jobbers, otherwise they would probably have drawn her specie, and compelled her to suspend specie payments. The bank and this class of citizens work for one another's interest, and extort the last penny from the producers of the wealth, under the pretence that the money, or the bullion, is the real wealth of the nation, and they keep the people constantly toiling for the bullion without ever possessing it, while the bullionists contrive to live in luxury upon what the labor of the people produces.

To show that the bank is sustained in her specie payments by her reciprocal operations with capitalists, and that the bank-notes are secured by the endorsed notes of the people, and not by the bullion in her vaults, it will only be necessary to refer to the weekly reports of the bank. October 23, 1847, bullion, £8,312,691. Deposits, £8,588,509. Net circulation, £20,318,175. The bullion amounted to £275,818 less than the deposits; and if the deposits had been called for in specie, there would not have been a shilling in bullion toward paying the £20,318,175 of bank-notes. These, if paid at all, must have been paid by balancing them off against the endorsed notes of the people, held by the bank. Again, January 22, 1848, the bullion had increased to £13,176,812, the deposits had increased to £10,774,870, and the circulation had diminished to £19,111,880. Deduct the deposits from the bullion, and there remained £2,401,942 in bullion to pay £19,111,880. Deducting the bullion there remained £16,709,938, which, if it had been paid at all, must have been paid by balancing off the bank-notes against the endorsed notes held by the bank; as if two individuals should exchange notes, and agree to pay them in specie, but as neither has the specie to pay, agree to exchange notes again, and thus close the transaction. The exchange of the bank-notes for the endorsed notes of the people, is different in this respect: the bank pays no interest to the people, but it makes the people pay interest on the bank-notes, and this interest absorbs the productions of labor.

SECTION IV.

OF THE BALANCING POWER OF BANK-NOTES AND DEPOSITS.

It has been already stated that if banks become liable for a larger sum than the amount of specie in their vaults, the surplus above the specie must be paid by balancing paper notes for paper notes, until the amount of specie in their vaults is exactly equal to the amount of paper for which they are liable. They can pay specie for the remainder of their paper. This statement was made taking into consideration only the endorsed notes discounted by the banks, and the bank-notes issued by them as their proceeds. The bank-notes are, however, not only the balancing power for the endorsed notes discounted, but are also the balancing power for all individual notes given in payment for sales of merchandise. Although these business notes should not be discounted at bank, nor put into bank for collection, the bank-notes are the balancing power with which all these debts must be paid, as well as all State bonds issued, all bonds and mortgages given by individuals, and all debts contracted for lands, goods, wares and merchandise sold on credit or for cash. All these debts must be paid either with bank-notes, or with specie. Taking an average of the whole amount of contracts, it is probable that not one dollar in a hundred is paid in specie.

A small amount of money is always capable of balancing or paying a large amount of notes, bonds and mortgages, and also of purchasing every description of property. The money which pays for one farm, may also pay for a second, third, and fourth, the same day.

Banks gain as much by the deposits left with them, as they would by the circulation of an equal amount of bank-notes. They pay no interest on deposits, and they lend their deposits to depositors and others, and charge interest on them. In cities, every man who has a large business, keeps an account, and deposits his ready money in some bank. Suppose a thousand merchants and mechanics keep deposit accounts of a thousand dollars each in the same bank, the sums will amount to a million of dollars. The bank can lend this sum to the depositors themselves, and make them pay interest on it. The money may be paid out many times during the day; but before three o'clock, when the banks close, it will return in deposit, and be ready for use the next day. Some of the deposit accounts may be drawn down to a hundred, and some even to five dollars, while others may be increased to five, ten, or twenty thousand dollars, yet the average balance in bank will vary but little. It appears from the Report of the Bank Commissioners, that the deposit accounts in cities are always very large, and generally small in country banks. When farmers have money, they usually keep it until they have occasion to pay it out. The inhabitants of large cities deposit their ready money in banks, and pay it out by giving checks on the banks.

Most of the contracts in large cities are paid by checks on banks. These checks are the same as bank-notes, for the receiver of a check goes at once to the bank, and draws it, or else deposits it the same as if it were a bank-note. If the giver of a check had not the money to his credit on the books of the bank, the bank would not pay his check. The money is kept on deposit for convenience and safety He can draw a check for a larger or a smaller amount, and thus avoid counting money. The holder of a check has as good right to draw specie as the holder of bank-notes.

SECTION V.

OF THE MANAGEMENT OF BANKS, AND THE EFFECTS OF THEIR OPERATIONS UPON THE PROSPERITY OF TRADE AND PRODUCTIVE INDUSTRY.

Our present Banking System, and the present legal rates of interest, even with the fairest and best management, are a powerful means for the unjust accumulation of wealth. But looking a little deeper into the subject, and observing how their business is conducted, we shall find that their unavoidable evil tendencies are greatly augmented by the manner in which they are controlled and directed.

The banks are empowered to lend two and a half times their capital. They have no legal right to exceed this sum, but they may expand and contract their loans as much as they please within these limits. They can discount notes at longer or at shorter dates. They sometimes discount notes having six, eight, ten and twelve months to run, and then suddenly stop discounting any having over ninety days to run. They can make money very abundant, or very scarce. The banks can make good endorsed notes sell in Wall street at a discount of one, two, or three per cent a month; or they can make money so plenty, that the same quality of paper will sell at less than a half per cent a month. They can make the business of a nation prosperous, and make labor command good prices, or they can so greatly curtail business that the industrious laborer will be compelled to beg his living.

When banks are extending their discounts, they will hold out inducements to merchants and mechanics to open accounts with them, being glad to discount for them to any reasonable amount. The merchant and the mechanic open accounts, and perhaps for a considerable time the paper which they offer is discounted at the legal interest of seven per cent. They are well satisfied, although the bank discounts for brokers and large capitalists at four, five, and six per cent per annum, while it charges them seven per cent. But suddenly there is an apparent scarcity of money, and the bank declines discounting the paper of merchants and mechanics at long dates. The applicants inquire of the officers the reason of this refusal. They are answered, that money is becoming scarce, and that the bank discounts but one-half the paper offered. In reality the amount of money is not in the least diminished, nor the amount of discounts required increased, but banks and capitalists keep it in their own possession to make the money-market tighter, that they may re-loan to the business community at higher rates. If for two days they discount only one-half their usual amount of paper, it is felt in the money-market. Those who are disappointed in obtaining discounts, must procure money elsewhere. They are driven to brokers and large capitalists, and are obliged to pay twelve per cent per annum for money which has been borrowed by favored brokers and capitalists at seven per cent per annum.

The merchant and the mechanic again offer at bank for discounts, and are a second time disappointed. Upon inquiry they are again informed that money is becoming very scarce, and that, besides, in looking over their deposit accounts, the officers find theirs small, and that others who keep much larger accounts are now asking for discounts. The merchant and the mechanic reply that they have heretofore kept good balances, and should be glad to continue them, if the bank would discount for them. But they are told that their balances were never so large as those kept by certain capitalists and brokers, who, although they kept large balances, seldom asked for discounts. Now, as money is scarce in the market, and they need discounts, the bank must favor them, for it is bound to attend to its own interest, and merchants and mechanics must attend to theirs. In these hard times the bank must discount for those who keep the largest deposits, and offer the best secured paper, the same as merchants and mechanics will sell their wares, or goods, to those customers who serve their interests best. It is as much the duty of the banks to consult their interest, and the interest of the stockholders, as it is for merchants and mechanics to consult their interests, and the interests of their families. This reasoning sounds plausible enough, and seems to satisfy the people. If the articles dealt in by both parties were the actual productions of labor, and neither of them was created by law, these arguments would have some force. Or if any man who had a package of calicoes could issue paper-money bearing no interest, and pay his debts with it—and the mechanic could make a paper representative of his steam engine pass as money as easily as a bank can engrave and sign bank-notes, and make them pass as money, this reasoning might be sound.

But when the article traded in by banks is a legal tender for debts, or is by necessity used as such, and the articles dealt in by others are the products of labor, and not a tender, nor used as a tender in payment of debts, then such arguments are false and should be powerless. They do not bear upon the facts; for the holders of the products of labor, or of their avails, are dependent upon the banks who make and possess the money which is a product of law. It requires little labor to create millions of dollars. The labor to make a five thousand dollar bank-note is the same as to make a one dollar note. But the difference of labor between raising five thousand bushels of wheat, and one bushel, is very great. Yet the bank-note for five thousand dollars is as much legally worth five thousand times more than the one dollar bill, either to lend upon interest, or to purchase products, as the five thousand bushels of wheat are worth five thousand times more than one bushel.

But to return. The applications of the merchant and the mechanic, at bank, for discounts, are refused. The paper they had discounted when money was plenty is maturing, and must be paid. Meanwhile, in Wall-street interest rises from one to two per cent a month. Capitalists and brokers find it very profitable to get the notes which they buy at two per cent a month discounted at seven per cent per annum. The bank considers this paper far preferable to that of the mechanic and of the merchant, because the capitalist or the broker, who bought the paper, was careful to have it secured by good endorsers before the purchase, and offers, beside, to leave a certain portion of the proceeds on deposit, which the bank can loan to others. The refused applicants at bank have no alternative but to pay the two per cent a month to the broker or to the capitalist. Capitalists generally buy notes through a broker, and the broker receives a quarter per cent on the amount, for brokerage. This, too, must be paid by the borrowers, in addition to the two per cent a month.

As money becomes more and more scarce, and the offerings increase, the paper of large capitalists, and of the richest merchants and brokers is often thrown out, and not discounted. If the more humble applicant, the merchant or the mechanic, should again inquire why his paper could not be discounted, the officers of the bank would mention the names of some of the most wealthy men, whose paper they were obliged to throw out for want of means to discount it. In Wall-street money is loaned for from two to four per cent a month, and even at these rates, the best of paper can be obtained, with bonds and mortgages, or bank and State stocks as security for the prompt payment of notes.

Directors in banks who are allowed by law to borrow an amount equal to one-third of the capital of the bank, have an opportunity to borrow money at the usual rates, and purchase State bonds, and other securities, at a great discount from their par value. Capitalists who loaned out money when it was abundant, at six or seven per cent per annum, call it in, and invest it in State stocks, or in bonds and mortgages, which can be purchased at ten, fifteen, or twenty per cent discount. If money were plenty, and the rate of interest uniform, the State bonds and all other securities would be of uniform value, consequently there would be no inducement to make a sacrifice of one class to re-invest in another, because no advantage could be gained.

The apparent scarcity of money soon spreads in every direction throughout the country. The banks in all the cities and towns shorten their discounts, and prepare for the approaching crisis. Their officers look over their paper, and collect that of the men whom they think least able to pay their notes. Not that they would suspect the ability of these men to meet their engagements if money were plenty, and at the ordinary rates of interest; but they doubt whether they could maintain their payments during a long pressure. The officers therefore, if possible, collect all paper of this description, and from time to time obtain more security upon such as cannot be realized in money. They now lend money upon such paper only as they consider very strong and well secured, and which they think will be paid in full at maturity.

Mechanics and merchants who have sold their wares or goods to the country, are compelled to pay not only one, two, three or four per cent a month upon the money they have to borrow, but the scarcity prevents the collection of the debts due by their country customers; and if they have had any of their notes discounted before the pressure, they come back upon them to pay in addition to their other payments. The payment of these exorbitant rates of interest for the use of money, is sufficient to account for all our commercial revulsions.

When a scarcity of money commences in Wall street, the offerings of paper to be discounted at the banks are greatly increased, sometimes fifty per cent, sometimes a hundred per cent. The reason is this: when banks stop discounting long paper, and confine their loans to paper having thirty, sixty, or ninety days to run, in order to maintain their circulations, the discounts must be increased just in proportion to the shortening of the paper. If the banks discount paper having only sixty days to run, then in the sixty days they will collect in the whole amount under discount. If their loans have on an average only ten days, then in ten days they will collect all their loans, and will not have a dollar under discount unless they loan out as well as collect in daily. If they should discount no paper having more than one day to run, they would collect in all their loans every day, and must re-loan the same amount daily to maintain their circulations. Therefore it is evident that if the banks maintain their line of discounts they must be increased exactly in proportion to the shortness of the paper that is discounted. Suppose a merchant has $1,000 to pay, and holds a business note for $1,000, payable in six months. To obtain a discount, he is compelled to procure another note, having not more than sixty days to run. At the end of sixty days he must procure a second discount for a thousand dollars to pay the first, and in sixty days more a third to pay the second. In six months he is obliged to procure three loans for a thousand dollars each, and pay three thousand dollars, whereas, if the bank had discounted the six months' note, he would have procured but one discount for a thousand dollars. Consequently, during the six months he would have offered but one-third as much at bank, and but one-third as much would have been required to make his payments.

Interest on money will sometimes rise in a few months from six or seven per cent per annum, to two or three per cent a month. In 1837, a broker in Wall-street sold the post-notes of the Delaware and Hudson Canal Bank, having four months to run, at a discount of five per cent a month; and sold more notes the next day, for the same person, at six and a quarter per cent a month. Six and a quarter per cent a month, for four months, would take one-fourth from the principal of the note. This is equivalent to compelling a tenant to pay in advance one-fourth of the value of a house, or farm, for the use or rent of three-fourths during a period of four months, at the end of which he is responsible for the return of the whole; for the return of the fourth of which he had not the use, as well as of the three-fourths which were in his possession. The borrower of the money received but three-fourths of the par value of the notes. If at the end of the four months, when the post-notes became due, the bank had not paid them, the borrower would have been bound to pay their par value. As well might the tenant pay as exorbitant a rent for a house or a farm, as the borrower of money so high a rate of interest. These high rates of interest are not paid by all. Doubtless, favorites at bank, could, and did borrow money the same day in Wall-street at seven per cent per annum. The Delaware and Hudson Bank was solvent and good at the period named, and has so continued. At their maturity, if not before, the post-notes were paid. The money loaned at six and a quarter per cent a month was no better than that loaned at seven per cent per annum.

Take from a $1,000 post-note $250, and there remains $750, of which the borrower had the use for four months, by paying the lender $250. The favored one who borrowed at bank $750 at seven per cent interest per annum, paid for its use for four months $18 40. The first borrower paid thirteen times more than the second for the use of the same article, in the same street, and on the same day. Neither bought anything but the use of the principal, for at the end of the period the principal was returned to its owner. A man who was obliged to borrow money was charged thirteen times more than one who had no use for it except to gain the difference in interest. This procedure was as unjust as it would have been to charge men suffering for food $6 50 a bushel for potatoes, and to charge those who possessed an abundance only fifty cents. Such exactions do not occur in sales of products, but it is no uncommon thing in Wall-street for money to be loaned to the needy at a quarter per cent a day, or ninety per cent a year, which is fourteen times more than banks are allowed to charge for discounting short paper. If a government agent should be directed to sell a quantity of flour to a needy people at six dollars per barrel, but for *certain* considerations, should sell it all to a capitalist, knowing that he would compel the people to pay $90 a barrel or starve, it would be similar to the abuse of the power conferred on banks, and wielded by them in favor of capital.

Some of the large capitalists in the city of New York, during the years included between 1836 and 1840, bought up bonds and mortgages perfectly well secured, and bearing six and seven per cent interest, at from ten to thirty-three and a third per cent discount from their par value. They also bought millions of dollars' worth of well endorsed notes at from one and a half to five per cent a month from the face of the notes. Some will say that the paper sold at these rates was of doubtful character, but such was not generally the fact. Individuals of known wealth, extensively engaged in business, and in want of money, sold large amounts of paper endorsed by names of the same character, at three per cent a month. These notes were, to say the least, quite as safe as the bank-notes for which they were exchanged.

The following illustration will show the bearings of these speculations in money upon the welfare of the producing classes. H. is a wealthy broker, and a bank director. His income, as also the income of the bank, depends upon the interest on money. He is worth $100,000, $20,000 of which are in bank stock. He uses $80,000 as a broker, in buying mercantile paper. Suppose him to be able to effect a change in the rate of interest, from six per cent per annum, to two per cent a month, the interest on his $80,000 will be increased from $4,800 to $19,200, making a clear gain of $14,400. At the bank in which he is a director, and at other banks, he obtains discounts for $80,000, at six per cent interest per annum, on short paper, and pledge of his bank stock. Loaning this at two per cent a month, he makes a clear gain of $14,400 more, making with the former, in one year, a clear gain of $28,800 over the six per cent interest. By the rise of interest from six per cent per annum to two per cent a month, H. increases his income from $6,000 to $34,800. This increase is paid to him by merchants for money to meet their engagements, and, consequently, their debts are increased this sum. If interest had remained at six per cent, the broker would not have borrowed of the banks, for there would have been no inducement to borrow money which he could not re-loan for a higher rate of interest. The money would, therefore, have been loaned by the banks directly to the merchants at six per cent per annum, and the merchants would have saved $28,800, which they paid to the broker.

When banks curtail their discounts, the contracts depending on their issues must lie over unpaid. Those who are desirous of meeting their engagements will suffer themselves to be defrauded in the rate of interest, rather than have their paper protested; for in a large city, if their paper lies over, their credit is gone, and their business ruined. They are compelled to pay these exorbitant rates of interest, however sensible they may be of the injustice. Good and evil are not set before them to choose between; but two evils are placed before them, and they must choose one or the other. If they wish to do right, they will choose the one which they think will do the least injury to themselves and their neighbors; but to one or the other of the evils, to usurious interest or bankruptcy, they are compelled to submit.

Such are, however, by no means all the evil consequences of speculations in money. Money is the standard of value, by which the products of the soil, all merchandise, and the labor of the people are estimated. The incomes from labor and products are diminished in proportion to the increase of the income from money. The change of the rate of interest compels the producers to labor four times more to clear $100, than before the rise of interest. Each sum of $100 contained in the $28,800 gained by the broker, will purchase as many of the products of labor, as the $100 gained by the four-fold toil of producers; and yet the broker has done nothing to aid production or distribution, but has retarded both. City merchants sell goods to country merchants, and country merchants sell them to farmers and mechanics, from whom they must collect the money. But the diminished price of products puts it out of the power of mechanics and farmers to pay, and thus the merchants are broken up. Meanwhile brokers and capitalists, who are neither engaged in productive labor, nor in the distribution of products, grow rich on the spoils. They are reverenced for their wealth, while mechanics, farmers and merchants, who have become correspondingly poor, are despised for their poverty, and blamed for being unable to fulfil their engagements.

The following illustration shows the effect of differing rates of interest in different sections of the country. A merchant in New York for goods sold, holds a $1,000 note against a merchant in Alabama, which note he endorses and has discounted at bank. The Southern merchant is not able to take it up when due, and it is returned to the New York merchant, who, to preserve his credit as endorser, must raise the money and pay it. Money is so scarce that he is obliged to sell a note having six months to run, at a discount of three per cent a month. The Alabama customer had abundant means to pay his debts, but the scarcity of money made it impossible for him to pay the note when it was due. Some time elapses, and the New York merchant sends out the note for $1,000 to Alabama for collection. Meanwhile, until the note is collected, he must borrow the money at three per cent a a month. He raises the money, and pays the returned notes by selling other notes having six months to run at a discount of three per cent a month.

Discounts thus:

Note at six months	$1,219 51
Three per cent a month off for six months is eighteen per cent	219 51
	$1,000 00

The note for $1,219 51 falls due, and he sells anothei note having six months to run at three per cent, and with the proceeds takes up the first note.

Thus, note	$1,487 20
Three per cent a month for six months=eighteen per cent	267 69
	$1,219 51

This note falls due, and he sells another six months' note at three per cent, and with the proceeds takes up the second note for $1,487 20.

Thus, note	$1,813 55
Three per cent a month for six months=eighteen per cent	326 35
	$1,487 20

This note falls due, and he sells another six months note at three per cent, and with the proceeds takes up the third note for $1,813 55.

Note	$2,211 64
Three per cent a month for six months=eighteen per cent	398 09
	$1,813 55

This note falls due, and he sells another six months note at three per cent, and with the proceeds takes up the fourth note for $2,211 64.

Note	$2,697 11
Three per cent a month for six months=eighteen per cent	485·47
	$2,211 64

Two and a half years have elapsed since the note in Alabama fell due. Being disappointed in its collection, the New York merchant, to save his credit, raised and paid the money for two and a half years. From this grew the note now due for $2,697 11. The Alabama merchant pays every dollar of his note with interest and costs in New York current funds.

Thus, note	$1,000 00
Two and a half years interest at seven per cent	175 00
	$1,175 00

From the increased note of the New York merchant	$2,697 11
Deduct the note and interest received from the Alabama merchant	1,175 00
Balance due by New York merchant	$1,522 11

The difference of interest on $1,000 for two and a half years, causes a loss to the New York merchant of $1,522 11. The interest amounts to more than one and a half times the value of the principal. The dollar is said to be the product of labor; but is this difference of interest the product of labor, or is it a change in the measure of value? Certainly, if the Alabama measure, and the New York measure were the same, the debts would balance each other. They balanced each other two and a half years before, but in this period the thousand dollars in New York have increased $1,697 11, while $1,000 in Alabama, during the same time, have increased but $175. One has accumulated nine and a half times more than the other. The Alabama merchant pays all he owes the New York merchant, and the latter appropriates it to the payment of the $1,000 which he raised to take up the note of the Southern merchant; but he still owes on this transaction \$1,522. The third person who gains the \$1,522, gains it without producing or distributing any products.

The following table exhibits the discounts on six months' notes for a term of sixty years. A thousand dollars in money are taken, and with this sum a note payable at six months is discounted. When the first note is paid, a second note having six months to run is discounted with its proceeds, and a third note with the proceeds of the second. This calculation is continued on six months' notes for sixty years. The table shows the accumulation on \$1,000, for sixty years, at the various rates of 1, 2, 3, 4, 5, 6, 7, 8, 12, 18, 24, and 30 per cent per annum, taking off the discount, as is always done by banks and brokers. The highest rate calculated is thirty per cent per annum, or two and a half per cent a month, a rate not nearly as high as is often paid in Wall-street.

TABLE OF DISCOUNTS.

SHOWING THE ACCUMULATION ON $1,000 FOR A PERIOD OF SIXTY YEARS BY DISCOUNTING NOTES HAVING SIX MONTHS TO RUN, AT 1, 2, 3, 4, 5, 6, 7, 8, 12, 18, 24, AND 30 PER CENT PER ANNUM.

	1 PER CENT.		5 PER CENT.		12 PER CENT.
10 years.......	$1,105 45	10 years.......	$1,659 24	10 years	$3,447 13
20 "	1,222 02	20 "	2,753 06	20 "	11,881 90
30 "	1,350 87	30 "	4,567 97	30 "	40,957 07
40 "	1,493 33	40 "	7,579 33	40 "	141,177 95
50 "	1,650 78	50 "	12,575 87	50 "	486,644 91
60 "	1,824 87	60 "	20,866 35	60 "	1,677,481 45
	2 PER CENT.		6 PER CENT.		18 PER CENT.
10 years.......	$1,222 64	10 years......	$1,838 93	10 years	$6,594 35
20 "	1,494 83	20 "	3,381 66	20 "	43,485 48
30 "	1,827 63	30 "	6,218 65	30 "	286,758 62
40 "	2,234 52	40 "	11,435 67	40 "	1,890,988 71
50 "	2,732 00	50 "	21,029 39	50 "	12,469,831 63
60 "	3,340 23	60 "	38,671 58	60 "	82,230,496 79
	3 PER CENT.		7 PER CENT.		24 PER CENT.
10 years.......	$1,352 93	10 years.......	$2,039 17	10 years	$12,892 78
20 "	1,830 46	20 "	4,158 22	20 "	166,223 76
30 "	2,476 43	30 "	8,479 32	30 "	2,143,086 39
40 "	3,350 44	40 "	17,290 79	40 "	27,630,338 24
50 "	4,532 91	50 "	35,258 90	50 "	356,231,914 13
60 "	6,132 73	60 "	71,898 92	60 "	4,592,819,317 86
	4 PER CENT.		8 PER CENT.		30 PER CENT.
10 years.......	$1,497 89	10 years.......	$2,262 43	10 years	$25,800 11
20 "	2,243 66	20 "	5,118 59	20 "	665,645 68
30 "	3,360 75	30 "	11,580 46	30 "	17,173,731 66
40 "	5,034 01	40 "	26,199 97	40 "	443,084,165 99
50 "	7,540 36	50 "	59,275 70	50 "	11,431,620,222 06
60 "	11,294 60	60 "	134,107 05	60 "	294,936,059,207 37

In the foregoing table it appears that interest at one per cent would transfer $824 worth of the products of labor to the capitalists to pay for the use of $1,000 for sixty years; at six per cent, $37,671 58; at seven per cent, $70,898 92; and at thirty per cent, $294,936,058,207 37.

In any community the rise of the rate of interest on all the money used, whether for a longer or shorter period, transfers from producers to capitalists a sum proportioned to the increase of the rate per cent, as demonstrated in this table.

When money becomes scarce, and interest rises to exorbitant rates, the rates of exchange between one city and another, and between one State and another, always increase. These exchanges are merely a cover under which banks obtain a higher rate of interest than the one allowed by law, and a means to enable them greatly to increase their dividends. A slight notice of this mode of gain may be of service. In 1836, the banks in New York began to do a business of considerable amount, by collecting notes on the South and West, and charging various rates of exchange, from one to three or four per cent. The discount at seven per cent on a note having three months to run, would be one and three-quarters per cent; and by charging three per cent exchange on Georgia or other Southern States, it would amount to four and three-quarters per cent on the money loaned in three months. If their money was returned free of expense, these exchanges were much more profitable than lending money at seven per cent interest. To secure the return of the money without loss or trouble, when another person applied for a discount of a note payable in New York, it was very easy to tell him that the bank could not discount, that its funds were locked up in Georgia or elsewhere, and that if he were willing to take a draft on a Georgia bank, it would discount his note. Being compelled to have the money or break, the applicant would take the draft on Georgia, and through a broker sell it in market. If the bank did not then buy the draft back at a discount of three or four per cent, at all events by the two transactions it would have made its funds payable in New York. It would have saved the exchange of three per cent on the first note discounted, and this would have amounted to about double the legal rate of interest. The banks sometimes made seven or eight times more in this way than by interest. This mode of exchanging spread through the Union; and in the spring of 1837, when the New York banks, and the banks generally suspended specie payments, the rates ofexchange still increased.

To show that the banks profited largely by the embarrassments and fluctuations in 1836 and 1837, we have only to notice the per centage profit gained by them in the State of New York at different periods.

The published statements in the New York assembly documents show that the average dividends of the Bank of America, for ten years, from 1818 to 1828, were 5 30-100 per cent annually. But in the years 1836 and 1837, money was very scarce, and the difficulties of the community proportionably great. During these years the profits of the bank averaged more than 16 14-100 per cent annually. More in one year of embarrassment than in three years of general prosperity. The same published statements of the following six banks, viz., Bank of America, City Bank, Mechanics' Bank, Merchants' Bank, Bank of New York, and Union Bank, show a result, as follows. During the same ten years, from 1818 to 1828, their average dividends were 5 70-100 per cent per annum. But in the two years 1836 and 1837, their profits were 13 35-100 per cent annually. The same statements rendered by fifty-nine country banks in this State, show that in the same two years, their average profits were 11 36-100 per cent per annum.

To effect a rise of interest, it is not necessary for the banks to allow their money to lie dormant any length of time. Let the New York banks for one week refuse to discount a single note, and the want of money would probably be as great, and as severely felt, as during the most difficult periods in 1837. By this refusal the banks would only lose the interest on the amount collected for half the week. But by the end of the week those who needed money would be obliged to sell paper having three, six, nine, and twelve months to run, at a discount of two or three per cent a month, and would be subjected to a great loss.

The banks in the city of New York keep an average of about $50,000,000 loaned. If the notes thus discounted have an average of fifty-six days to run, the citizens pay into the banks six and a quarter millions of dollars every week. If for one week the banks should refuse to discount, and draw in the six and a quarter millions, they would lose the interest on this sum for an average of three and a half days. This interest at six per cent would amount to $3,557 69. If this curtailment of the circulation for one week should compel merchants and mechanics to sell their business paper, having but sixty days to run, at two per cent a month discount, they would lose four per cent on the $6,250,000, i. e., $250,000. The merchants and the mechanics would sustain a total loss of $187,500 over and above interest for sixty days, at the rate of six per cent per annum on $6,250,000.

Let us extend this calculation, and suppose the banks to stop their discounts for two weeks, and collect in their dues. In the course of two weeks, they would collect in $12,500,000. They would lose the interest upon this sum for an average of one week, in which time the interest would amount to $14,230 77. These curtailments would produce an extreme scarcity of money. Suppose the merchants and the mechanics to be compelled to sell their business paper having six months to run at a discount of two per cent a month for that period. They would lose twelve per cent on $12,500,000, i. e., $1,500,000. Their actual loss over and above interest, at the rate of six per cent per annum, for six months, would be $1,125,000, while the banks would lose only $14,230 77. If, instead of curtailing their discounts, the banks should refuse to loan to merchants and mechanics, and lend their money to brokers and capitalists, who should re-loan it at the above rates to the people, the same results would be produced without any loss of interest by the banks, or any curtailment of their discounts. The $1,125,000 would be lost to business men and gained by brokers and capitalists.

The banks can curtail their discounts as much and as rapidly as they please without violating the laws. In 1837 and 1838, there were not only twelve and a half millions of dollars loaned at two per cent a month, but probably some hundreds of millions were loaned at much higher rates. One or two per cent a day was often extorted from the needy. Many merchants and mechanics in New York might be mentioned, who paid from $10,000 to $50,000 in extra interest, that is, interest over seven per cent before they were compelled to suspend payment. Besides, when collections were made for them in the various States by banks and otherwise, they were subjected to great losses in exchanges on their drafts.

Millions of dollars' worth of the best paper was sold at a discount of three per cent a month. Take the discount off in advance, at this rate, from six months' paper, and $1,000 will buy a note for $1,219 50. At the maturity of this note, its proceeds, i. e., $1,219 50 will buy a second note having six months to run for $1,487 18. Thus it is seen that the indebtedness of those paying this rate of interest was increased, in one year, almost fifty per cent on all the money they borrowed to meet their engagements.

Curtailments of bank discounts, made under pretence of getting people out of debt, increase instead of diminishing their indebtedness. They inevitably retard the sale of products, and destroy the regularity of business. If the inhabitants of the State of New York ordinarily pay interest on four hundred millions of dollars, and one-half this sum, i. e., two hundred millions, were loaned at two per cent a month, their indebtedness would be increased on this one item thirty-six millions of dollars above the interest at six per cent per annum; and this, too, without taking the interest in advance, which is usually done in cases of this nature. In all these transactions, by which thirty-six millions of dollars would be taken from producers and distributers, and transferred to capitalists, there would be no exchange of products, and the people would receive no consideration for their money.

Besides the suffering caused by the increase of indebtedness upon loans of money, the prices of products would be greatly diminished. Those sold would not, perhaps, cancel more than one-half of the debts that they would if the rate of interest were not increased. Therefore, the money engrossed by the capitalist would be worth to him double the same sum at the usual interest, for he could purchase with it nearly double the quantity of products that he could under ordinary rates.

A man who owns a farm cannot rent it for thirty or sixty days, and force its return, and keep constantly re-letting it, so as to inconvenience his tenants; because, in these short periods the farm would not produce a crop; but money will gather an income when it is loaned for thirty or sixty days, or for one, two, or three days. Many men now devote their time to the loaning of money for one-eighth, one-quarter, one-half, and one per cent a day, fixing a higher or a lower rate, according to the necessity of the borrower. In this way they extort the largest possible interest. This they say they do "to keep people from breaking." Doubtless many of those engaged in brokerage are ignorant of the effects of their stock-jobbing and loaning operations upon the welfare of their fellow-men, and not any of them appreciate, in their full extent, the evils they occasion, or they would cease to pursue an employment so blighting to their own moral characters, and so pernicious to the welfare of others.

In 1837, rents on stores fell to one-half or one-quarter of their former prices, and many stood untenanted. At the same time, bank-notes which a year or two before could be rented at but six or seven per cent per annum, were rented at from three to ten times more than before, although at the former time the bank-notes were professedly based on specie, and at the latter, no pretension of this sort was made. Was the rise of interest on the bank-notes, or money, caused by an increase of labor to engrave and secure the notes, or was the fall of rent on stores caused by a diminution of the number of bricks, or the amount of labor necessary to build them? No! it was an arbitrary rise of interest to increase the gains of banks, brokers, and capitalists. Our producers were not idle: we had a superabundance of products for our market; yet, strange as it may seem, thousands in our midst were suffering for the very things of which the abundance was the subject of lamentation. One had raised a surplus of some product, and was in need of a surplus product owned by another. But it was nearly impossible to effect any exchange of these products, on account of the scarcity of money. At this juncture, the situation of producers in Europe was similar to that of producers in the United States. The Bank of England was openly authorized to increase the rate of interest on her loans, in order to check *over-production* and *over-trading*.

How different would have been the condition of the producing classes if the banks had pursued an opposite course. If, instead of raising the interest on their loans, and increasing their dividends to double their amount in previous years, they had lowered the rate of interest so as to diminish their dividends to one-half their previous amount, the prosperity of the producing classes would have as greatly exceeded their prosperity in former years, as it was by the rise of interest diminished below their former prosperity. The amount of bank loans would have been less. Probably money would have circulated with more than double its former rapidity. One million of dollars circulating rapidly will accomplish as much in a given time as two millions will if the latter circulate but half as fast.

If in January, 1836, the banks throughout the Union ad reduced their rate of interest to four per cent, and oaned their money to business men for good endorsed otes, if they had made no loans on pledge of stocks as ecurity, or to any one who they knew desired to re-loan he money at an advanced rate of interest, business would ave been attended with increased prosperity; country proucts would have maintained good prices; the State onds of every State in the Union, bearing an interest of ve per cent per annum, would have been above par; very State would have paid the interest on her bonds romptly, and in January, 1837, the people would not ave owed as much by a very large amount as they rere compelled to owe under the actual circumstances. The producing classes would have been comparatively rell off, and large capitalists would not have become o immensely rich. State stocks would not have been rowded upon the market, nor would capitalists have ecome competitors with the business community for oans at banks. The producing classes cannot afford o pay even four per cent per annum, but there would e less distress among them at this rate, than at six per ent, or at a higher rate. Their subsistence will always ecome scanty in proportion to the increase of rates of nterest.

If the English government should raise the interest on ts debt to four per cent, the taxes of producers would be ncreased in the same proportion. But if it should lower he interest on its debt to one per cent, and compel the Bank of England, and all bankers to take only one per ent on the endorsed notes of individuals, and to make no oans on pledges of stocks as security, the producing classes of England would be elevated, and their share of their own surplus products would be increased in proportion to the diminution of the rate of interest.

The curtailments of bank discounts seem to be made that producers may know and consider the great value of money, and the comparative worthlessness of the productions of labor. It would seem that the principal wealth of a nation may be dug out of some obscure place in the earth, collected into a very small compass, and placed in the vaults of banks. It there remains as inactive as it was in the mines before it was excavated. This gold and silver gives power to the banks, the Board of Brokers, and a few large capitalists, to compel the people to cultivate the earth, and to gather and market its productions mainly for their use, reserving for themselves of the poorer kinds a bare subsistence.

SECTION VI.

REMARKS ON THE REPEAL OF THE USURY LAWS.

In the course of the few past years, numerous petitions have been presented to the legislature of the State of New York, praying for the repeal of the Usury Laws. It is proposed that in loaning money the rate of interest should be agreed upon between borrowers and lenders, as the prices of merchandise are agreed upon between buyers and sellers. The position assumed by those in favor of abolishing the Usury Laws is, that the competition between the lenders of money would be so great as to reduce the rate of interest below seven per cent. But such would not be the result. There is now no law against competition at, or below, seven per cent; therefore the competition at seven per cent and under this rate, could not be increased by annulling the restriction.

Another argument for the abolition of a legal rate of interest is, that the laws against usury are continually violated. In large cities, money is often loaned at from one to three per cent a month, at a quarter and a half per cent a day, and sometimes even at one or two per cent a day; and the legal rate of seven per cent per annum does not govern the money-market; it is therefore argued that the law must be wrong; and if the price to be paid for the use of money were left open to competition, the demand and supply would equitably regulate the rate of interest.

The idea commonly held out is, that the rates of interest would be lower if the Usury Laws were abolished; and anticipating this result, many are induced to sign the petitions. There is reason to believe that the principal originators of these petitions are those who are now infringing the laws by exacting extra rates of interest, and who would like to have their extortions legalized. They do not advocate the chartering of banks without restrictions upon their rates of interest. *Banks* should lend money at the legal rates. Then a few capitalists would borrow large sums from them, and discounts would be refused to business men, who would be compelled to borrow money from these capitalists at the rates of interest for which they would agree to lend it. The necessity of the borrower, and the avarice of the lender, would fix the rate of interest. If a capitalist could borrow from a bank $10,000 for ninety days, at six per cent per annum, and re-loan it at three per cent a month to a man who must have the money or break, he would make by the operation a clear gain of $750. Annul the laws against usury, and this kind of business would be far more extensive than it now is; but under the existing laws, more of it is done than is for the benefit of the public.

Other arguments advanced in favor of abolishing the Usury Laws, are such as these. It is said when goods are sold on a credit, a greater difference is made in their price than the interest at seven per cent per annum for the time of the credit, and it is therefore right that lenders should receive higher rates of interest for their money. People are not aware that the high and fluctuating rates of interest on money are the cause of the extra prices charged for credits on sales of goods. Suppose a merchant is obliged to turn his goods into money to pay a debt. He sells them on six months' credit, taking the purchaser's note, on which he pays two and a half per cent a month discount to obtain the cash. He could as well afford to take fifteen per cent from the goods as fifteen per cent from the note. The purchaser of the goods who cannot pay the money even when offered this large discount off his note, is not as safe for the payment of his note as he would be if others could not get so large a discount by paying cash. It gives a man who can pay the money great advantage over one who cannot, for if the latter pay fifteen per cent on the cost of his goods for six months' possession, the buyer for cash can undersell him. If money could be always easily borrowed at a uniform and low rate of interest, the difference between sales for cash and credit would vary but little from the rate of interest; for if interest were at a just rate, there would be few bad debts, and a very small per centage on goods would guard against all losses from this cause.

Another proposition is, that the Usury Laws should be taken off from all four months' paper, and the rate of interest on longer loans restricted, as if four months' paper were governed by different principles from that having six or eight months to run. It would be hard to show how selling four months' notes at exorbitant rates of interest would save the credit and property of business men. If, at the end of the first four months, the merchant be obliged to sell a second four months' note at the same rate, is he any better off than if he had at first sold one of eight months, instead of the two four months' notes? If it were legal to demand as high a rate of interest as could be obtained on paper not having more than four months to run, paper for longer dates would be unsalable whenever interest on the short paper was high. Usurers now say that they take a higher rate of interest on account of the risk they incur by lending at a rate not allowed by law. Hence, if they could legally demand two, three, or four per cent a month discount on four months' paper, they would ask still higher rates for discounting six months' paper, to pay for the hazard of the illegal act. Besides, if any rate of interest which people would agree to pay for money for four months were made legal, whenever the rate of interest was high those who owed money on bond and mortgage would probably be called upon for payment. If they could not pay, the holders of the mortgages would give them four months time, and take a new bond for the time, very likely at two or three per cent interest a month. In the city of New York there is probably a larger amount loaned on bond and mortgage, that is now due, than the amount of all the capitals of banks in the city. Nearly all our Insurance Companies loan their money thus on one year's time, but do not expect to call for it so long as the interest is regularly paid, unless they meet with great losses. A large proportion of these mortgages is due. Many millions are loaned by individuals and executors of estates, and perhaps a very large proportion of these would be called for, in order to obtain the higher rates of interest. The people would be obliged to pay almost any rates that the owners of the mortgages chose to exact; otherwise their property would be sold to satisfy the debts. Either course would break up a large proportion of the debtors, and their property would pass over to their creditors for half, or less than half, its value.

Another proposed modification of the law is, that, if the money-lender obtain from the borrower an agreement to pay more than seven per cent interest per annum, and prosecute his claim for the recovery of the debt, he shall be allowed to collect no more than the sum loaned and seven per cent interest. Could any *honest* man propose a law for the prevention of theft, the only penalty of which, in case of detection, should be the restoration of the goods?

SECTION VII.

A WELL-REGULATED CURRENCY IMPOSSIBLE UNDER PRESENT LAWS.

Our whole banking system is based upon a credit given by law to bank-notes, for which the people furnish the security in their endorsed notes and State bonds. The legal representative has no value in itself; it rests upon actual capital, the earth and its productions, and not upon the inherent value of its material. It may then be asked, why the State government cannot bank on the same security, and appropriate the gains to the public benefit, instead of allowing a few individuals to acquire large fortunes by private banking. But bank-notes issued by a State would soon depreciate. The currency must be *national*, and pass equally well in all sections of the country. If a State should make paper-money a tender, (and this is forbidden by the Constitution,) the money, like the money of the banks chartered by the State, must necessarily be redeemed with specie to secure public confidence. But this local redemption would make the money of unequal value in different sections of the Union. Another difficulty would be incurred by a State bank, that unless a few of the largest capitalists were included as stockholders, and the interest of the wealthiest men identified with the bank, it would soon be compelled to suspend payments.

A United States Bank could not regulate the currency. Before the General Government could establish the institution, it would be obliged to consult a few large capitalists to ascertain whether they would take the stock. If the charter were not one which would probably secure an income as good or better than any other investment, capitalists would refuse the stock, and the government could not establish the bank. If the government should deem three per cent a just rate of interest, and should limit the dividends at this rate, the stock would not be taken. But should it allow six per cent interest, and leave the dividends unlimited, both native and European capitalists would call it a good investment for money, if they could retain sufficient control of the institution.

If under our present laws making all notes redeemable in specie, the General Government should establish a bank, and issue enough paper-money for all business transactions, at a low rate of interest, our large capitalists would array themselves against it by collecting their debts in bank-notes, and demanding specie from the bank. Such a bank, established on a specie basis, could not be sustained a month. The government and all the producers could not prevent its total failure.

Monetary laws are the most important subjects for legislation. It is the duty of every national government to institute and regulate the medium of exchange; but that this duty has been imperfectly discharged, appears from the fact that where specie is made the only tender for the payment of debts, neither the government nor the mass of the people have had or can have, any adequate control over it. Capitalists control the money, and through the money control the government. The defect of the present monetary laws, farther appears from the variations in the rates of interest on government stocks, perfectly secured at all times, but constantly fluctuating in value. If the government does not secure a uniform value to money for its own use, how can it be said to regulate the currency of the country.

It is impossible to secure to labor its earnings, under systems by which the government and the people depend upon a few capitalists to furnish the medium and standard for the distribution of the productions of labor. In the plan about to be developed, the whole people, through Congress, would hold the power, and fix the rate of interest. They can by a vote put the system in successful operation without consulting capitalists, banks or brokers.

CHAPTER V.

THE AMOUNT OF A CURRENCY SHOULD BE LIMITED ONLY BY THE WANTS OF BUSINESS.

IT is indispensable to the regulation of the currency that *the amount of money should be limited only by the wants of business.* It has been already shown that the value of money is determined by its income, or rate of interest. This proposition being established, it follows, that if the interest be regularly maintained, the amount of money may be unrestricted without decreasing its value.

The following illustration will show, that no laws against usury can prevent the oppression and evil consequent to a limited amount of money.

Suppose a nation consisting of one hundred thousand persons to frame their own government and laws. They make gold and silver coins the legal currency, and fix the rate of interest at six per cent. Severe penalties are affixed to the exaction of a higher rate, and to the exportation of money from the country. This nation has in coin $12 to each inhabitant; probably as much as any people, however wealthy, can keep in active circulation. The specie in the nation amounts to $1,200,000. Twenty men become worth $100,000 each, together $2,000,000. One million is loaned on bond and mortgage and business notes at the legal rate. When all the money of the nation is in active use, the twenty men determine to call in thirty per cent of their loans, and hold the money for a week or a month in order to make a more profitable re-investment. This takes out of circulation $300,000, one-fourth of the whole circulating medium, and causes a great scarcity of money. One-fourth of the debts in the nation lie over unpaid, for all the money was before required to meet contracts. The twenty men hold only their own money, and no law can, or should compel them to use it. They do not take more than the legal rate of interest. Let these men hold their money for six months, until the unpaid debts are mostly collected by suits at law, and the twenty men and other owners of money, can buy the property of debtors at less than half its value. All securities depreciate, and confidence is lost in the value of property, and in the ability of debtors to discharge their obligations. Yet no money leaves the country, nor is any change made in the rate of interest.

Twelve hundred thousand dollars is an abundance of money for a population of a hundred thousand persons. If we allow it to pass from one individual to another three times a week, (and money passes much oftener in cities,) the $1,200,000 would pay $3,600,000 of debts every week, and in a year $187,200,000. Notwithstanding this abundance, these few individuals can easily affect the money market, and greatly increase their wealth by purchasing property at reduced rates, and selling it when the depression ceases. If the amount of money for each inhabitant were increased to $20, the aggregate amount would be but $2,000,000, and the twenty men would be worth as much as the whole currency of the nation, and could easily keep enough in their own possession to effect the same results. The government is powerless to prevent these evils, for the amount of money is limited, and a few individuals have the control of it.

In the United States within a few years, in times of scarcity of money, cows were sold at sheriff's sale at from $2 to $5; good horses at from $3 to $10; and cultivated lands for a few cents an acre, when they cost their owners nearly as many dollars. When money became plenty again, these cows, horses, and lands rose to perhaps quite their former price. No nation should fix upon a standard of value of limited amount. For a limited amount of money, even at a uniform interest, will enable the owners of money to monopolize the property of the nation.

The State of New York has a population of 2,500,000. Multiply this by $12, and we have $30,000,000, a much larger sum, doubtless, than is kept in active circulation in our State. Still, there are probably two men in the State who are worth more than this sum; and who can, whenever they choose, affect not only the money market of this State, but also that of every State in the Union. Neither the State government, nor the General Government has power to prevent it, nor to relieve the people.

A certain amount of money is required to fulfil the business engagements of a nation. If one-fourth of that amount be withheld from circulation, one-fourth of the contracts must remain unpaid. A high price charged for the remaining three-fourths, will not enable them to supply the place of the absent one-fourth, which is indispensable to the prosperity of business. No country can be prosperous, while capitalists can cause a scarcity of money. Their legal right to withdraw their money from circulation cannot be denied; but the exercise of this right should not operate to the injury of others. Some public means must be devised whereby the requisite amount of money for the people may always be supplied, at the legal rate of interest. No government should make a currency of a material of which it cannot supply a quantity adequate to the wants of the people.

CHAPTER VI.

THE NECESSITY OF CREDIT, AND ITS EXTENSIVE USE IN THE TRANSACTIONS OF BUSINESS.

To credit is to trust our property, or the reward for our labor, in the hands of others for a limited time. Governments could not exist, nor legislative bodies meet, without credit. The members of Congress trust the government to pay their travelling expenses, and the nation trusts the government with funds for that purpose. We continually trust our fellow-men. The laborer who works by the day trusts his employer until evening for his wages. If the employer pay in advance, he trusts the laborer. Daily laborers are supposed to incur little risk by trusting their employers, but in the city of New York they have lost large amounts in this way. The clergyman trusts his parish for his salary; the teacher the parents of the children; colleges their students, &c., &c. Houses could not be rented without credit; the owner credits the tenant with the use of his property; the tenant may injure or destroy it. If it be insured, he trusts the insurance company to indemnify him for loss by fire. If the tenant pay rent in advance, the house may be burned, and he may lose his money. Banks could not exist without credit. The people credit the banks on their bank-notes, and the banks credit the people on their endorsed notes. The people, too, trust the banks with deposits. A very large proportion, at least ninety or ninety-five per cent of the exchanges of productions, is made on a longer or shorter credit. All merchandise sent by manufacturers to commission merchants in our cities, is trusted in the hands of the latter. A very large proportion of this merchandise is sold on a credit of six or eight months to jobbers, and is then re-sold by them to retailers on credit, who again sell to consumers mostly on credit. Nearly all our internal improvements are contracted for on a certain time of credit. A considerable proportion of these contracts are paid for by borrowing money on mortgage of the improvements. Even goods sold for cash are usually delivered before payment. Except on an exceedingly limited scale, exchanges of productions could not be made without credit. Neither the General Government nor the State governments could raise money at home or abroad without it. Our country could never have achieved its independence without the money it obtained upon credit.

CHAPTER VII.

OF THE SECURITY OF A PAPER CURRENCY.

It has been proved in our foregoing arguments, that the amount of a currency should be equal to the wants of the people, and that gold and silver, of which the quantity is necessarily limited, are not the proper materials. It remains to be proved that a paper currency can be established, which shall be always adequate in amount, and which can be maintained at a uniform value. The present chapter will offer some considerations of the security and competency of a paper currency, as a medium of exchange.

First, we may notice some of the ways in which paper is now used, and in which a legal power expressed upon it is deemed sufficient security. All titles to land, all loans of money on bond and mortgage or otherwise, the payments for all lands, and of every other species of property on a credit, are secured by paper. These papers must, of course, be made legal liens upon property or they would be worthless, for their value must consist in their control of real property, and not in any worth inherent in their substance. Money, of every description, gold, silver, or paper, is created by the laws, and its value consists in its being made by law a public lien upon all property for sale.

The difference between a private obligation, such as a mortgage, or note of an individual, and money, is, that the two former are private liens, one on a specific piece of property, the other on any or all the property of an individual. But money is a public lien on all property for sale, whether that property be owned by individuals or by the government. Between individuals and the government, the law secures the fulfilment of contracts by mortgages and other paper instruments. If paper instruments can be made safe representatives of property between two individuals, no good reason is perceived why paper instruments cannot be made safe representatives of property between any number of individuals. If paper instruments can be made representatives of property for limited periods of time, no good reason is perceived why they cannot be made safe representatives of property when made payable on demand. And if made payable on demand in something capable of producing an immediate income, they are then made competent to fulfil all the uses of money; for money can have no other use than to exchange for property, or to loan for an income.

We will observe how paper-money now circulates. Bank-notes are called money, although the laws do not make them a tender for debts. Banks are, however, chartered by law, and, therefore, the bank-notes issued by them are generally considered as money, and answer all its purposes. They are founded, or based on a promise to pay specie on demand. Let us see, however, if they are not practically money, instead of being merely representatives of gold and silver coins. A man exchanges at a bank in New York a hundred dollars in specie for a one hundred dollar bank-note, and takes it to the Western country to buy land. The note is thus put in circulation there, is loaned and re-loaned on interest, and is used in the purchase of property and products. It is continually active, while the silver for which the bank-note was taken in lieu, lies dead in the vault of the bank, and is neither used to purchase property or products, to fulfil contracts, nor to produce an income. The bank-note has performed all, while the specie has performed none of the functions of money. If the former should continue to circulate any number of years, and be loaned for an income, and used to purchase property thousands of times, and when it should be returned to New York, there should be no specie in the vault of the bank to redeem it, still, every purchase made by the bank-note would be valid, and every mortgage for which it had been received would be a binding lien upon the property of its drawer for the payment of specie both for the principal and the interest. Coins and bank-notes have a legal power to accumulate, not natural to either of them. Both are generally received in tender for debts, so that one is practically as much money as the other. In fact, if either is to be despoiled of its character as money, it must be the specie, for this is mostly deposited in the vaults of banks, and while so deposited is not practically money, but the bank-notes which perform more than ninety-five hundredths of the exchanges, are really the money of the country, and fulfil all its uses with greater convenience and celerity than could gold and silver. Paper made to represent landed property instead of specie, and receiving legal power to accumulate, measure, and exchange property, would answer every purpose of money, and would be money.

The abundance of paper is not an objection to its use as the material of money, more than to its use for deeds, notes, bonds and mortgages. It would be a better material for money than gold and silver, for these metals are limited in amount, and are troublesome, expensive, and hazardous to remit. If a sufficient gold and silver currency were presented to this nation free of cost, the inconvenience and expense attending the circulation and transmission of the coins, would far overbalance the whole labor and expense to provide and circulate a paper currency.

The question to be settled then, is this: can a currency be formed entirely of paper, which will buy the productions of labor as readily as gold and silver coins— not whether a silver spoon can be made of a paper dollar, or whether a gold watch-case can be made of a bank-bill as well as of an eagle. Money is not necessary to make utensils and ornaments. We want money for a medium of exchange, and if it cannot be made of paper so that it will be as good to the man who sells his labor or his products as gold and silver coins, we must not have a paper currency.

CHAPTER VIII.

OBJECTIONS TO A PAPER CURRENCY ON ACCOUNT OF FOREIGN TRADE CONSIDERED.

When the adoption of a paper currency within our own limits is advocated, questions arise concerning the adjustment of our debts with foreign nations, among whom gold and silver are the only legal tender. Great embarrassments are apprehended because our paper-money would not be received in payment of debts contracted and payable abroad

The exports and imports of the United States are nearly equai. and average from $100,000,000 to $120,000,000 each, annually. Probably our whole exports do not amount to more than a twentieth part, or five per cent of the yearly productions of our labor. Certainly the disposal of five per cent of our productions is not a sufficient reason for maintaining a metal basis for our currency, which must inevitably affect the market value, and disturb the regular and just distribution among ourselves of ninety-five per cent of our productions. The chief object of a currency is to effect the internal exchanges of products with facility and justice. Such an one could not impair foreign trade, nor do injustice to other nations. The following illustrations will make it evident that the use of a paper currency at home, instead of disturbing foreign trade, would greatly facilitate it. Trade between nations is carried on by individuals, and not by governments. The governments simply make the laws, and fix the standards by which the value, weight, and quantity of articles of trade are to be decided, as also the tariffs of duties on imports and exports. Individuals then export or import goods as their interests dictate, and receive for them the money in use where the goods are sold. For instance, importers of goods for the New York market, take in payment for their sales the money current in the city. They do this when the banks pay specie. They did the same in 1837, when the banks had suspended specie payments. If they must remit the proceeds of the goods, they buy cotton, or other produce for shipment and sale abroad, or bills of exchange, or specie, as may best subserve their interest. English exporters to New York receive in payment for their goods our current money, and invest the money as they deem most profitable. If we had none but paper-money, English exporters to New York would sell their goods for our paper-money, buying with the proceeds our products, cotton, flour, or tobacco, or bills of exchange on England, or bullion. Or, they could lend the money here as they now do, purchase products for shipment to England with the interest, or re-loan the interest. If our paper-money would buy our own calicoes and broad-cloths, it certainly would buy English calicoes and broad-cloths in our own market. There is no reason why we should provide a different currency to pay for the products of foreign labor, from that which pays for home labor.

If we import fifteen millions more than we export, this balance will draw interest against us until we can pay specie or products. If State or United States stocks be sent abroad and sold to pay the debt, it is still a form of credit for which we must pay the interest. There is certainly no greater necessity for our government to provide means for merchants to pay their debts to foreign merchants, in such cases, than to provide means for Southern merchants to pay their debts to Eastern merchants, in cases of a partial failure of the cotton crop. When in any year Southern merchants buy of Eastern merchants more goods than their crops will pay for, the latter must wait for the next crop, meanwhile receiving interest on the amount due. If our government maintains a currency which a balance of imports over exports demanding a shipment of specie, must necessarily derange, and subject debtors to extravagant rates of interest, this legal act must cause greater loss to the people than the failure of the crops which would turn the balance of trade against them. The only embarrassment which could occur in our foreign trade, by the use of paper-money, would be delays in payment when the exports should exceed the imports; and the occurrence even of this would be rendered much less probable by the use of paper-money, at a low rate of interest, than it is with our banking system, and high rates of interest. The greater facilities afforded to production would yearly save an immense amount of imports; and the difference in the interest account between the United States and England, would save our people many millions of dollars every year.

Except the small quantity of gold and silver mined here, we are now obliged to import all we use, both for our internal and our foreign exchanges. We are compelled to send our products abroad and exchange them for the metals. If we had a sound paper currency here, and did not depend on these metals to make our internal exchanges, we could send all our gold and silver coins out of the country to adjust our foreign balances, without deranging our monetary affairs, or enabling foreign or native capitalists to embarrass the exchanges of our products among ourselves. If we now have $50,000,000 of coins, we could ship them, and cancel this amount of our debt to England, by paying our government and State bonds, and thus save $3,000,000 interest, annually paid to the foreign holders of our bonds, for the use of a representative of our own property. The money, too, on which we pay this interest goes mostly into the vaults of our banks, and lies there dead, while our bank-notes make the exchanges. It previously lay idle in the vault of the Bank of England, while the notes of the bank performed the exchanges in England.

But suppose, upon its arrival here, every dollar of the specie should go into active circulation, what service would it render us? It would only assist us to effect our internal exchanges; we should still be obliged to make all our products by our labor, as much as if we had used our own paper-money to make our exchanges. If the Bank of England should send $50,000,000 of her bank-notes to the United States, and our laws should make them a tender for debts, they would be no more useful to us than $50,000,000 of our own currency; and we should be compelled to pay to England $3,000,000 worth of our products yearly, in interest. If we sent the bonds of our government to procure the notes of the Bank of England, or to procure the coins, the property of the United States would secure the money while it remained here. The money would become a representative of our property. Before it could again become a representative of the property of England, we should have to send back the $50,000,000 to England and take up our bonds. As long as the money remained here, we should pay to England $3,000,000 yearly, in interest, because the bonds of our government bear the interest, and not the money. Money is always a dead capital in the hands of the holder. Even after its arrival here, every person who kept it a day, would keep it at the loss of the interest for that day, because money has no power of growth beyond that given by law, which is as impotent of actual production as the picture of a horse is of performing the labor of the horse. We might as well pay to England $3,000,000 yearly for a man to represent us in Congress, as to pay this sum for a representative of our property.

With a just monetary system, we should no more depend upon a foreign nation for money to represent our own property in our own country, than for the air we breathe. When we make our own property the basis of our currency, and furnish all the money we need for the exchange of our own products among ourselves, no foreign nation will have power to affect our money-market, and derange the internal exchanges of our products, more than it could induce a scarcity of air, and thus disturb our breathing. No scarcity or abundance of money in foreign nations would affect our monetary system. Gold and silver coins would be imported only to convert into ısils and ornaments, or for re-exportation—these als could never be needed for money. If a paper rency in this nation were properly instituted, it would ome known in England, and it would be a thousand es more likely to be received than our bank paper. if it would not pass there at all, many advanta- are to be anticipated from its adoption. Bills of ex- nge, on foreign nations, could be much more easily ained than at present, because balances, under this tem, would probably be in our favor. If our mone- r system were such as always to supply the necessary ntity of money at a just and uniform rate of interest, so t production should never be impeded by a scarcity of ney or high rates of interest, no one acquainted with trade and resources of our country can doubt that the ount of our yearly productions would be increased eral hundred millions of dollars. The greater the ount of our productions, the greater the amount that should have to export, and the less we should need to ort, and the balance of trade would necessarily be in favor; and this balance we should be compelled to e in gold and silver, or leave on interest in foreign na- ıs. The foregoing considerations make it evident that unfavorable results are to be apprehended to our for- n trade from the adoption of a paper currency at home.

RECAPITULATION.

In the foregoing chapters the following propositions have been considered, and, it is believed, fully sustained.

1. That there is an essential difference between intrinsic value and the value of money.

2. That any material may be made money, by endowing it with the following legal powers: power to represent, to measure, to accumulate, and to exchange value.

3. That money which does not represent its full amount of actual value, carries upon its face a false pretence; nothing can in fact be money, that does not represent property.

4. That money, as a measure of value, is controlled by the rate per cent interest that it bears.

5. That the necessary effects of the present rates of interest, are to accumulate property into large cities, and in the hands of a few capitalists.

6. That the present rates of interest greatly exceed the increase of wealth by natural production, and consequently, call for production beyond the ability of producers to supply.

7. That the rate per cent interest determines what proportion of products shall be awarded to capital, and what to labor.

8. That in proportion as the rate per cent on money is increased, the value of property and labor is decreased.

9. That a currency constantly fluctuating in value, by varying rates of interest, is no more suitable as a medium of exchange than an elastic yard-stick is fit for a measure of cloth; that justice requires uniformity of value, and that our present currency is devoid of this quality.

10. That our present banking system rests upon a fictitious basis, is unsafe, and is productive of many and great injuries; that while it calls upon producers for a large sum of money to pay for the use of its bank-notes, at the legal rate of interest, it assists capitalists, brokers, &c., in monopolizing money, and enables them to extort large sums from merchants, mechanics and others, beyond the legal rate

11. That the currency, to be of uniform value, must be limited only by the wants of business.

12. That credit is indispensable.

13. That a paper currency can be made as secure, and made to perform all the functions of money, as well as a specie currency.

PART II.

THE INSTITUTION OF PAPER MONEY, AND ITS CAPA BILITY TO REMEDY THE EVILS OF OUR PRESENT CURRENCY.

CHAPTER I.

THE SAFETY FUND.

SECTION I.

THE FORMATION OF MONEY, AND THE MODE OF ISSUE.

WE now enter upon the most important but the simplest part of the subject, viz, the monetary system, by which the distribution of products can be properly regulated.

The Constitution declares, Art. I., Sec. VIII., 5, "That the Congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." Sec. X., 1., "No State shall coin money, emit bills of credit, make anything but gold and silver a tender in payment of debts." It is clear that by the Constitution, Congress has the right to coin money, and regulate its value; to emit bills of credit, and to make anything it chooses a tender in payment of debts. The government is as much bound to make money of such material, and in such quantities, and enact such laws as will regulate it, as to fix the standards of weights and measures.

Sec. X., 1., declares that the States have no right to coin money, emit bills of credit, or make anything but gold and silver coin a tender in payment of debts. Bank bills are bills of credit, and very hazardous ones too; for millions of them are issued without being representatives of property, and many holders have sustained great losses by their failure. According to the Constitution the State governments have no right to establish banks, and impose this hazard and loss upon the people: they have infringed the province of the general government. Having themselves no constitutional right to issue bills of credit, they can certainly have no power to delegate such right to others.

In the plan here proposed for the formation of a national currency by the general government, all the money circulated in the United States will be issued by a national institution, and will be a representative of actual property, therefore it can never fail to be a good and safe tender in payment of debts. It will be loaned to individuals in every State, county, and town, at a uniform rate of interest, and therefore will be of invariable value throughout the Union. All persons who offer good and permanent security will be at all times supplied with money, and for any term of years during which they will regularly pay the interest. Therefore, no town, county, or State, need be dependent upon any other for money, because each has real property enough to secure many times the amount which it will require. If more than the necessary amount of money be issued, the surplus will be immediately funded, and go out of use without injury. It will be impossible for foreign nations, or any number of banks, or capitalists, to derange the monetary system, either by changing the rate of interest, or by inducing a scarcity or a surplus of money. It will be the duty of the government to ascertain as nearly as possible what rate of interest will secure to labor and capital their respective rights, and to fix the interest at that rate.

The plan requires the general government to establish an institution, with one or more branches in each State. This institution may appropriately be called the NATIONAL SAFETY FUND: first, because the money of this institution will always be safe; second, because it will secure property and labor from the tyranny now exercised over them by the capricious power of money.

To make this currency a true representative of property, the Safety Fund must issue its money only in exchange for mortgages secured by double the amount of productive landed estate. The money, when put in circulation, will represent and be secured by the first half of productive property, and the interest upon the mortgages will be secured by a portion of the yearly products or income of the property. The Safety Fund will issue its money, bearing no interest, for the mortgages bearing interest. We have shown that money to maintain its value must not only represent property, but must always be capable of being loaned for an income. It is therefore necessary to provide not only for the issue, but also for the funding of the money.

The first of the following obligations will be the money of the institution; the second will be a note bearing interest for the funding of the money:—

No. —— MONEY. *Dated* ——

$500. $500.

The United States will pay to the bearer five hundred dollars in a Safety Fund note, on demand, at the Safety Fund Office in the city of ————

No. —— SAFETY FUND NOTE. *Dated* ——

$500. $500.

One year from the first day of May next, or at any time thereafter, the United States will pay to A. B., or order, in the city of ———— *five hundred dollars; and, until such payment is made, will pay interest thereon on the first day of May in each year, at the rate of one per cent per annum.*

The money will bear no interest, but may always be exchanged for the Safety Fund notes, which will bear interest. Those who may not wish to purchase property or pay debts with their money, can always loan it to the Institution for a Safety Fund note, bearing an interest of one per cent per annum. Therefore the money will always be good; for it will be the legal tender for debts and property, and can always be invested to produce an income.

Money being loaned at one and one-tenth per cent, and Safety Fund notes bearing but one per cent, the difference of ten per cent in the interest will induce owners of money to lend to individuals, and thus prevent continual issues and funding of money by the Institution.

The Safety Fund notes are made payable a year after date, to prevent the unnecessary trouble of funding money for short periods. It is not probable that the Institution will issue notes for a less amount than $500. People having small amounts will seldom wish to fund them. They will loan to individuals, or purchase property. If, however, it be deemed desirable to fund small amounts, they may be received, and credited in a small book, as in savings banks, and the interest paid upon these credits as upon Safety Fund notes.

Having given an outline and brief explanation of the Safety Fund, or proposed system of currency, we will in the next place endeavor to show that it will possess all the properties, and be capable of performing all the functions of money. We have said in our description of money that it must be a representative of property. The Safety Fund money being based on productive landed estate to double its amount, will evidently be an undoubted representative of property. Second, money must have power to accumulate. In the Safety Fund there will be ample provision to secure an income beyond all contingency. Third, it must have power to measure value. The Safety Fund money will not only possess this power equally with coins, but it will possess the additional quality of being a uniform and perfect measure. By establishing a uniform rate of interest, the dollar will be of invariable value, and cannot be made to fluctuate more in the measure of property than the yard-stick in the measure of cloth. Fourth, it must have power to exchange value. This power must depend on the disposition of sellers to receive it in exchange for products; and this disposition depends on its legal capabilities to pay debts, and accumulate an income by interest. We have elsewhere shown that any portable substance possessing these properties will be money. The Safety Fund money will possess all the properties adapted to its use as money that belong to coins, and can be counted and carried with greater convenience, and be more easily transmitted from one section of the country to another. The effect of its adoption will be to annihilate all difference of exchange between different commercial points, or reduce it to the merely nominal expense of letter postage.

SECTION II.

THE SECURITY OF THE SAFETY FUND MONEY.

The Safety Fund money being made a representative of property, its legal value will be equal to the actual value of the property. For, if the money can be loaned for a per centage interest which will buy a portion of the products of land and labor, the legal value of the principal will be equal to the actual value of so much land as will produce what the interest will purchase. So long, therefore, as the mortgages on the land continue good, the money will be a representative of property. When branches are established in all the States, every individual can borrow money, at the usual rate of interest, to the amount of half the value of his productive land. Every dollar thus borrowed will be added to the amount in circulation, as much as if it had been imported from a foreign country or coined. The Safety Fund will actually create all its money.

It will require a very small proportion of the property of the country to secure a sufficient currency. The property in Massachusetts, according to the assessed valuation in 1840, averaged $406 50 to each individual. The average wealth in property of our whole population is from three to five hundred dollars. The amount of money needed will not, probably, exceed ten or fifteen dollars for each inhabitant. Therefore, only three or four per cent of the property of the country will be necessary to secure an ample supply of money. The government can in this way provide a portable legal value to any extent that can be required. The people can borrow money from the Safety Fund in larger or smaller sums at precisely the same rate of interest.

The mortgages may be drawn payable one year after date, with one and one-tenth per cent interest; and so long as this interest shall be regularly paid, the principal may remain, in whole or in part, at the option of the mortgagor. So, whenever a mortgagor shall have the means, he can pay off any part of the mortgage, and stop the interest. But he will never be compelled to pay the principal so long as the interest shall be regularly paid.

No aid from large capitalists will be required to establish the Safety Fund, for the money will be made a balance against the landed estate of the people, without a specie basis. It is no more necessary to make money of gold and silver to render it a just balance against property, than to make a mortgage of gold or silver to render it of equal value with a piece of land. The value of the mortgage depends upon its legal power over the land and its products. The Safetv Fund money will have a legal representative value which will be capable of purchasing the mortgage, or the land, or the products of the land. The mortgage, or the money as such, can be no more valuable made of gold than of paper. As paper mortgages amply secure individual loans of money, so paper mortgages will secure the issues of money by the Safety Fund. If people will readily loan gold and silver coins for paper mortgages on property, they must esteem the paper mortgages as valuable as the coins.

A mortgage is a lien upon a specific piece of property. The Safety Fund money will be a general lien upon all property for sale, and a legal tender in payment for all debts. The mortgages given to the Safety Fund will be individual obligations for the payment of money, and will be necessarily local. But the money issued for them will be neither individual nor local. It will be equally good in Maine, New York, Ohio, and Florida. If its owner does not wish to lend it to individuals, he can loan it to any branch of the Safety Fund at an interest of one per cent.

It has already been stated that it is no more necessary to make money of gold and silver in order to make it good, than to make a bond or note on a silver or gold plate in order to make it good. Still, if the people shall insist upon a mixture of specie in the currency, it can be easily provided. It will only be necessary that the interest to be received and paid by the Safety Fund shall be paid in specie. By loaning money at one and one-tenth per cent, the Fund will always be in receipt of many times the interest in specie that it can be called upon to pay. This will preserve the use of coins as money. It appears evident, however, that the issues of the Safety Fund will fulfill all the functions of money without any admixture of coins.

The Safety Fund money will probably be compared by some to the assignats of France, or to the Continental money issued by the United States during the Revolution. But they are no more alike than a good productive soil and a desert. There is as much difference between the paper assignats issued by France and the paper money to be issued by the Safety Fund, as between two perpetual mortgages, one bearing interest, and the other bearing no interest; the first would be good, the second worthless. If, as heretofore stated, the French government had secured the payment of the assignats issued to her citizens by mortgages on productive landed estate, not exceeding half its value, and when payment was demanded had funded them with government bonds bearing a yearly interest, they must have continued good. Both the mortgages and the assignats would have been representatives of property, and the yearly productions of the land would have secured the annual interest, and made them safe. The assignats became worthless because they were not representatives of property. If the government of the United States, instead of issuing the Continental money, had established a Safety Fund, and loaned money for mortgages on productive land worth double the amount of the loan, and had provided notes bearing interest to fund the money, such paper money would have been a representative of property, and invariably good. The Continental money not being a representative of property, of course proved worthless. Had our government instituted a Safety Fund, it would have had an abundance of money for the transaction of all business; we should have saved the many millions we paid to France for a representative of our own property, and besides, should have prevented the great injury suffered by the country from the scarcity of money and high rates of interest, which then so much retarded business and production.

The objection may arise that if the first issue of the money of the Safety Fund be confined to the owners of land, it will place in their hands a great monopolizing power, and instead of diffusing wealth in accordance with the labor performed, will give it to landholders. Of course no person can or ought to obtain a representative of property, if he have none to be represented. The money of the Safety Fund ought not to be issued on perishable property, because the property might be destroyed, when the money would cease to be a representative, and become worthless. If a man without property should borrow from the Fund, the money would represent his credit, and not his property; and consequently, if he should not acquire means to pay it, the money being guaranteed by the government, the loss would fall upon the nation. The following illustration will make it evident that an abundant supply of money, and the reduction of the rate of interest, will benefit to as great an extent those who are without property, and depend on their daily labor for their support, as the land owners.

The owners of land will obtain loans from the Fund, either to purchase property or to pay labor or debts. The money in circulation will be increased precisely the amount issued. Every farmer owing money on mortgage of his farm, and paying seven per cent interest, will probably borrow money from the Safety Fund and pay the debt The difference between seven and one and one-tenth per cent on his mortgage will be in favor of the earnings of his own, or others' labor on his farm. The receiver of the payment for the mortgage will be obliged either to purchase property with his money, or to lend it to individuals at one and one-tenth per cent, or to the. Safety Fund at one per cent interest. He cannot obtain a higher rate than that charged by the Fund. If he can lease to others land for a term of years so as to secure one and one-tenth, or one and one-quarter per cent interest, of course he will purchase the land in preference to funding the money; and laborers who can have the use of land at these low rents, will soon lay up means to buy farms for themselves.

SECTION III.

THE RATE OF INTEREST ON THE SAFETY FUND MONEY.

The law granting to all the privilege to lend money at the same rate, has an apparent fairness which is deceptive. The fairness depends upon the justice of the rate of interest, and not upon the universality of the grant.

The illustration of the one hundred families clearly shows the accumulative power of money at six per cent interest, (see Chap. III., Sec. II.) The same chapter shows this power at various rates, from seven down to one per cent. The Safety Fund will maintain any rate of interest which shall be deemed for the public good. If it lend money at six per cent, and fund at the same rate, there will be an abundant supply at a uniform interest in all parts of the country; this currency will therefore be greatly superior to any that has ever been in use. If $300,000,000 be required, and the interest be at six per cent, the government will gain a revenue of $18,000,000 annually, less the expenses of the Institution. If the branches be made offices of discount and deposit, and the deposits be reloaned, the gains will probably be doubled, and amount to say $36,000,000. There is hardly a doubt that this latter or a larger sum is annually paid by producers to the banks for the use of bank-notes. It will certainly be more just for the government to gain this for the general benefit, than to have the banks gain it for their private purposes.

But a rate of interest that will rapidly concentrate wealth into the hands of the government or individuals, cannot be just. The government cannot institute money and loan it at six per cent without giving power to individuals to loan at the same rate, and the loans of the latter will be much greater in amount than those of the Fund, even if its branches should be made offices of discount and deposit. Besides, as has been already shown, money is a standard, and the rate of interest governs the per centage rent on all property. No way can be devised of establishing a high rate of interest, and doing justice to producers. The evidence adduced in this volume upon the different rates of interest, appears sufficient to prove that one and one-tenth per cent is as high a rate of interest as money can bear, and secure the rights of producers. Money at this rate will have power to buy property; for in England it has often been loaned even at lower rates, after business had been paralyzed by maintaining interest at exorbitantly high rates.

There is as great a difference in their effects between a well regulated currency with a low rate of interest that will justly distribute productions, and a currency with high and fluctuating rates, as between the fire limited to the domestic hearth, subserving the wants of the household, and the same element exceeding its useful limits, and destroying the house. Steam kept within proper bounds is usefully employed in facilitating production, but increased beyond these, it becomes a powerful agent in destroying life and property. Money with the interest kept within proper limits, will distribute products rightfully to producers; but increased interest will deprive them of their rights, and entail upon them poverty and misery.

SECTION IV.

ORGANIZATION AND MANAGEMENT OF THE SAFETY FUND.

The institution may consist of a principal with branches. The first may be located at Washington, or some other central town, and the latter wherever convenience may require. The principal of the institution should issue money only to the branches; and they should be required to make weekly reports to the principal of their loans, and also of money returned to be funded. The principal, at certain times, should report the money in circulation.

For the management of the principal, one director may be appointed by each State, and one or more by the general government.

The States may elect the directors of the branches by Congressional districts, or otherwise.

The directors should receive salaries for their services, and not be allowed to borrow money, or be interested in any loans made by the institution. They may hold their offices during good behavior, or until a certain age. All officers and clerks may be required to give bonds, with such securities as may be deemed necessary to secure fidelity and safety.

All money loaned may be paid, in whole or in part, at the option of the borrower after one year, but the interest should be punctually paid.

In case of failure for a certain time to pay the interest, the directors might advertise the property covered by the mortgage, and sell it at auction, giving the debtor timely notice of such advertisement and sale.

Sixteen different denominations of money will form an ample currency: viz, a piece of Two and a Half Cents; Five Cents; Ten Cents; Twenty-Five Cents; Fifty Cents; One Dollar; Two Dollars; Three Dollars; Five Dollars; Ten Dollars; Twenty-Five Dollars; Fifty Dollars; One Hundred Dollars; Five Hundred Dollars; One Thousand Dollars; Five Thousand Dollars.

When interest is reduced it will scarcely be necessary to have any denomination less than two and a half cents. If it be desirable, our present copper cents may be retained, but probably they would soon go out of use.

Our present bank notes are frequently altered from one denomination to another; as, for instance, by extracting "Two" and inserting "Ten." Against this fraud the money of the Safety Fund may be effectually guarded, by making the size of the paper conform to the denominations. The value of each piece will then be known at a glance by its size, as well as by the engraving. The two and a half cents pieces may be made an inch and a half long and an inch wide; and the size may be increased for each successive higher denomination by adding a quarter of an inch to the width and a half to the length. The different denominations may also be of different plates as well as different sizes.

The people throughout the country will soon become familiar with the money, and there will be little danger of deception by counterfeits.

The paper for the money and notes may be manufactured by the principal Safety Fund, and farther guarded from counterfeit by water-marks, and by the kind and quality of the paper, which should be of the best material for durability.

In preparing the money for issue, no necessity will exist for the signatures of the president and cashier, more than for such signatures on coins. Proper care in the material and making of the paper, in the engraving of the plates, &c., will more effectually guard the money against counterfeit, than the quality and coinage of the precious metals can protect coins.

A simple and short form of a mortgage may be provided, so drawn as to save the necessity of a bond, and prevent a multiplicity of papers. With ordinary care in the institution and direction of the Safety Fund, there will be incomparably less danger of frauds than now exists in banks.

The money for the amounts under a dollar will probably be called by the opposers of the Safety Fund, shinplasters, rag-money, a very unsafe currency for laborers, &c., but every one of these small notes will be a representative of its nominal amount of property. They will maintain their relative value to every other piece of money in every section of the country.

SECTION V.

THE PROBABLE AMOUNT OF SAFETY FUND ISSUES.

The quantity of money used in business is very small compared with the amount of business transacted, for it is only the average balance kept on hand. If a man receive $10,000, keep it one hour, and then pay it out, he uses the money only one hour. A man may be worth half a million of dollars and transact a business of a million a year, and yet his average balance not exceed five thousand dollars. If he deposit his money in bank, the bank makes an estimate of his balance and lends it to others; so that even this balance is constantly in use.

The amount of money used, compared with the contracts fulfilled by it, is not much greater than the number of bushels used compared with the bushels of grain measured by them. The amount which can be kept in active circulation is comparatively small. If the Safety Fund be established, and loan at an interest of one and one-tenth per cent on all good security, money will circulate rapidly; and if all other money be swept from the country, it is doubtful whether the Safety Fund can keep out a sum exceeding from twelve to fifteen dollars for each inhabitant. Estimate the population of the United States at twenty millions, and $15 to each inhabitant will amount to $300,000,000. Allow this sum to change hands three times a week, and it will cancel $900,000,000 of debts each week, and in one year $46,800,000,000. The assessed value of all real and personal property in the United States does not vary much from $6,000,000,000. The $300,000,000 passing three times a week, will in one year pay for more than seven times the assessed value of the whole property of the nation. It is not intended that the Safety Fund and its branches shall be made offices of discount and deposit. If they should be made such, they would more than double the amount of their loans; but the increase of loans would not augment the amount of money. They would reloan the money left on deposit, and thus increase their income, as banks now reloan their deposits and gain the interest.

CHAPTER II.

THE ADVANTAGES OF THE SAFETY FUND MONEY OVER SPECIE.

The following illustrations will show the different effects of a specie and a paper currency upon the prosperity of countries having materials for the formation of either. Suppose two fertile islands, each containing a silver mine as productive as the average of those now worked. Two parties, of a hundred thousand settlers each, emigrate to these islands, taking with them implements of husbandry, a stock of cattle, merchandise, tools, &c., and provisions for a year, in procuring which, they nearly exhaust their money. Arrived at their respective destinations, they locate their lands, &c., and each party begins to make exchanges among its members. The want of money is soon severely felt. The inhabitants of one island determine to have a metal currency, and accordingly prepare to work their silver mine. One-fifth of the whole population, i. e., twenty thousand, are men capable of labor. Three thousand engage in working the mine, and with their families constitute a population of fifteen thousand, who consume the products of others. Suppose each man to earn or make half a dollar a day; total in a year four hundred and fifty thousand dollars. This sum being exchanged by the miners for food, clothing, &c., goes into immediate circulation. It will require nearly three years to supply the money necessary for their internal exchanges, say $12 for each inhabitant, i. e., $1,200,000; and during this period money must be very scarce. The shipment of any specie abroad to pay for goods, will increase the want of money at home. Suppose the population to increase three per cent, that is, three thousand a year, they must continue to mine $36,000 yearly, to maintain the proportion of $12 to each individual.

The inhabitants of the other island determine not to work their silver mine, but to establish a Safety Fund, and lend the paper money as heretofore stated. All have the opportunity to borrow to one-half the value of their productive land. This money costs nothing but the comparatively trifling labor of the paper and engraving. If a surplus be in circulation, its owner can at any time pay off a mortgage to the Fund and stop the interest, or fund the money and receive interest. The exact amount required will always be in circulation, and interest being regular, the value of the money will be invariable.

The difference between the labor to mine and coin the silver money, and the labor to make and engrave the paper money, will be a clear saving to the island using the paper money; and all this difference of labor can be applied to the production of articles for export. The island using the paper money can export about as great an amount of products as the other island will coin in money. If the latter island require the products of the former, and exchange coins for them, the former island will use the silver money for manufactures, or for export; it cannot need them for money. If the Fund lend at one and one-tenth per cent interest, the island will always have an abundance of money at a low and uniform rate, so that every branch of industry can be carried on to the best advantage, and the property will be distributed to those whose labor shall earn it. But the business and productive industry of the island using coins will be constantly retarded for want of money, and the high and fluctuating rates of interest will inevitably concentrate the wealth in the hands of a few capitalists, and leave the producers in poverty. The people of the island using the paper currency will be rich, virtuous, and happy, while those using the silver money will be poor, wicked, and miserable, because poverty and avarice will lead to crime. If the two islands, instead of trading with each other, maintain trade with other nations, it must be obvious that the one using the paper money will have great advantage over the one using the silver money.

Suppose the same number of emigrants to settle on a third island, and borrow their whole currency of a foreign nation, say $1,000,000 in gold, silver, or paper money, at an interest of eight per cent per annum, payable half yearly. If their imports equal their exports, and they be obliged to issue bonds every six months at eight per cent to pay the interest, in fifty-three years the island will become indebted to foreign nations $64,000,000; $63,000,000 of which will be interest on the $1,000,000 originally borrowed. The people must lose this amount in consequence of defective legislation. If the emigrants through their government establish a Safety Fund, and provide their own currency, instead of importing it, they will save the whole interest, beside having great advantages by the abundance of money.

Paper money can be as easily made to exceed coins in value, as coins to exceed paper money, because the value of all money is governed by the per centage interest. Let the Safety Fund loan paper money, and fund it with Safety Fund notes bearing six per cent; let it loan coins, and fund them with Safety Fund notes bearing but four per cent, and the paper money will always be the more valuable, and command a premium in exchange for coins. The paper money will as certainly command a premium above coins, as a ground-rent at six per cent will command more than one at four per cent. If this nation had a sufficient quantity of specie for a currency, it would still be necessary to have an institution similar to the Safety Fund; for interest can only be kept regular by the establishment of an institution to make loans at a uniform rate of interest whenever good security is offered, and to fund the specie whenever it is redundant.

A government may obtain an immense power over the property of the people by furnishing a paper currency at six per cent interest. Suppose our government to establish a Safety Fund, and make its paper money the only tender in payment for debts. Let the Safety Fund lend an amount equal to say $15 to each inhabitant for a population of 20,000,000, that is, $300,000,000, money would become plenty. This sum loaned on double its amount of landed estate, would cover $600,000,000 worth of property. If the government should leave the principal outstanding during the regular payment of the interest, it would receive from the interest, after deducting say $1,000,000 for the expenses of the Safety Fund, an annual revenue of $17,000,000. After a year or two let the

Fund refuse to make further loans, and yearly collect its nett gain of $17,000,000 for ten years, i. e., $170,000,000, and the whole business of the nation must be transacted with the remaining $130,000,000. This would subject the property mortgaged to a great sacrifice, and equally depress the price of other lands and products. In six years more, the government would collect in $102,000,000 additional interest, thereby reducing the currency to $28,000,000. The interest for two years more would amount to $34,000,000, but only $28,000,000 could be paid, because the whole amount of money would be exhausted. By foreclosing its mortgages, the government could buy the $600,000,000 worth of property for the $6,000,000 which would still be due. Hence it is evident that the law has power to make paper money to control property as effectually as gold and silver.

CHAPTER III.

SUNDRY OBJECTIONS TO THE SAFETY FUND—ITS EFFECTS ON OUR BANKING INSTITUTIONS, ETC., CONSIDERED.

It may be well to examine a few more of the prominent objections which will be urged against the adoption of the Safety Fund. Our banking institutions will probably complain that its establishment will infringe the chartered rights granted to them by the States. But in instituting the Safety Fund, the general government will not withdraw their charters, nor pass any law preventing them from banking. Doubtless it has the right to prohibit the issue of such bills of credit as bank-notes; but this will not be necessary. The government will simply provide a means whereby the people in every section of the country can obtain a fair representative of their productive landed estate, at one and one-tenth per cent interest, instead of being compelled to procure from banks and individuals an imperfect and unsafe representative of their property, and at six, seven, or eight per cent interest; as much for the use of a representative as the crops of their land are worth.

It is a frequent remark that legal enactments have no more effect upon the value of money than upon the price of wheat, and that competition in lending money will equitably regulate the rate of interest. By establishing the Safety Fund to lend money at one and one-tenth per cent to all who offer the required security, and not interfering with the chartered privileges of the banks, we shall ascertain whether legal enactments have any power, and the advocates of regulating the rate of interest by competition among the lenders of money, will also have an opportunity to test the correctness of their opinions.

Banks will object that they do business on a *specie* basis, and the Safety Fund on a *land* basis. It may be difficult to show that the former is better than the latter; for all kinds of money must be as useless without land and products to be exchanged, as yard-sticks with nothing to measure. It will be fair toward farmers, mechanics, and merchants, for the government to institute a paper currency, and equally fair toward the banks; for their bank-notes are no more legally payable in specie than the endorsed and other notes, and even the book accounts of private citizens. If the Safety Fund money will be a safe medium of exchange for products, it will be a just equivalent to pay debts to banks, because the stockholders can buy products or land with it; therefore the issue of a tender based on landed estate cannot do injustice to our banking institutions.

The Safety Fund money being made the legal tender, the banks cannot refuse to receive it in payment of debts. They can easily and safely collect in their dues, withdraw their circulation, and wind up their business, without causing a scarcity of money, or any panic in the money market. We shall then have nothing circulating as money which is not a legal tender. If the banks shall still deem their specie more valuable than the paper money of the Safety Fund, and in closing up their business shall not have as much specie to divide among the stockholders as they originally paid in, or if they shall have to pay the whole capital stock in Safety Fund money, still no injustice will be done to them, for the law making paper money a tender in payment of debts, gives to it the same value possessed by gold and silver regulated at the same rate of interest. While the establishment of the Safety Fund can do no wrong to banks, it will greatly benefit those engaged in production and distribution.

Believers in the great intrinsic value of gold and silver coins, have nothing to apprehend from the adoption of paper money for a tender in payment of debts, and the reduction of interest. The institution of paper money, and the rejection of coins as a tender, can have no more effect on the intrinsic value of the precious metals, or upon the desire to possess them on account of this value, than the enactment of a law that wheat shall be transported only on horseback will alter the nutritious properties of the wheat, and the desire to use it for food. One would suppose that those who so highly prize gold and silver coins for their intrinsic value, would be strong advocates of paper money; the coins being released from their use as money, the gold and silver would easily and naturally fall into their hands.

It may be objected that if money be made so plenty, the people will run into extravagant speculations; but a little thought will make it evident that the system will prevent great fluctuations in the price of property, and of course remove the inducements for speculations.

It may be objected that so great an alteration in the medium of exchange and measure of value, will derange l unsettle the value of property, introduce confusion) the various branches of business, and break down all sting relations between money and property. But in stituting a better for a worse, the means to effect the inge must be improvements; and every stage, from the nmencement to the entire exclusion of the present curcy, will be a succession of benefits to the mass of the ple. The change will only lessen the power of capi- over the future productions of labor. It will deprive man of the use of his property or money; both will be his disposal as much as under the present monetary tem.

Another objection will be the risk incurred by unfaithiess in the officers appointed to manage the Institution. ery institution must have officers, and a certain amount power must necessarily be confided to them; conse- ntly a risk of unfaithfulness must be incurred. But er circumstances being equal, the risk is greater or less, proportion to the action of self-interest; and according the plan of the Safety Fund, no officer will be allowed borrow money, or be interested in any loan made by Fund. Bonds will also be required for the faithful disirge of duty. But, granting there may be risk, yet it l be almost nothing compared with that now incur- under the banking system, where every officer has own interest to serve in various ways, and especially increasing rates of interest and using the funds of the ik for his private advantage.

It may also be objected to the Safety Fund, that it will sen the incomes of widows and orphans; but there are y few of this class who have incomes. Objectors on this ground will therefore do well to extend their sympathy so as to embrace the nine-tenths whose only means of support is the scanty compensation for their daily and excessive toil, and whose condition, and the reward of whose labor, as well as the earnings of those who have incomes, will be greatly improved by the reduction of interest on capital. Their sympathies will then lead them to advocate the Safety Fund, unless actuated by some other motive than commiseration for the needy.

The greatest difficulty, however, to be apprehended in the introduction of the new currency, will be found in the attachment of the people to ancient laws and customs, sanctioned by the greatest statesmen of the past, and ages of experience; but this feeling operates with the same force in other things, and has been found to yield in favor of improvements introduced by the progress of discoveries in the arts and sciences. There needs only indubitable proof that an evil exists, and that a remedy can be applied for its removal, in order to secure the reformation. We have already shown that great evils have arisen from the unjust monetary laws of the past, and to our mind, conclusive proof has been offered to sustain this point. It is now incumbent on objectors to show, for instance, that the inhabitants of cities produce more for the people of the country than the latter produce for the former; that a man by standing on the corner of a street a few hours in a day to loan the legal representative of value to the necessitous at exorbitant rates of interest, produces more of the necessaries of life than a hundred industrious farmers and mechanics; that the yearly use of the present bank-notes in the State of New York is really worth as much to the people as the $4,435,333 worth of products which they are compelled to sell annually to pay the interest; or that one and one-tenth per cent interest would secure to producers a greater proportion of the products of their labor than they are entitled to receive. If they can prove that the productiveness of land and labor is in proportion to the rate of interest, or that the public good requires that property should be concentrated in few hands, they will then have shown the superiority of our present monetary system. These are things of which farmers and mechanics and other producers can judge as well as any statesman or lawyer in the country. If scarcity of money and high rates of interest do not affect the market value of labor and products, let it be clearly shown to the producing classes. If such questions be evaded, it is but fair to infer that the advocates of existing monetary laws are willing or desirous that the oppression of producers should be continued, and the people be kept ignorant of the causes of their poverty, instead of having the reward of their labor and their business transactions regulated by a standard which they will perceive to be just, and of which they can understand the operation.

It may be admitted that the theory of the Safety Fund is good, but impracticable at present; it is calculated for some future generation, when men shall have become more intelligent and virtuous. If the same faith shall be held by the generations which are to follow us, it will be difficult to point out at *what* period this desirable reformation will occur, because the evil of our present system will always be in the present, and the good of the plan proposed in the future. We are, however, persuaded that a large maority of the people are aware that their present depressed condition may and should be exchanged for something better, and the Safety Fund will be regarded by them as neither too Utopian nor visionary to be made immediately operative for their benefit. All the objections to the proposed currency, upon the ground that it will lessen the incomes of capitalists who are supported by the labor of others, only serve to show the true working of the Safety Fund system; for its object is to furnish a standard of distribution which will cause men to sustain such mutually just relations as to render it generally necessary for all to render an equivalent in useful labor for the labor received from others.

CHAPTER IV.

ADVANTAGES OF THE SAFETY FUND.

THE Safety Fund will loan money at a low rate of in-
est to all applicants furnishing the requisite landed se-
rity; hence every town, county, and State, which has
power to perform the labor, can make any internal
provement without pledging its property to large cities
to foreign nations to borrow money. A few years since,
high and fluctuating rates of interest so depressed the
ces of products, that a number of States were unable
pay the half-yearly interest due on their bonds. Con-
quently, the market value of the bonds fell to a very low
ce, and many of the holders suffered great losses, while
ge capitalists were enabled to take advantage of the
l, and buy them in some instances at less than one-fifth
their real value. The canal bonds of the State of Illi-
is were bought at from sixteen to thirty cents on the
llar. A short time after this, in 1845, the purchasers
these bonds made a negotiation with the State to fur-
h it with a further sum of money to complete the canal,
condition that a mortgage should be given to them on
canal and adjacent lands, securing the money so ad-
nced, and also securing the par value and interest on
bonds bought at these reduced rates. It would seem
t the people thought money would actually excavate
nals, quarry stone, and build locks. But when they had

received the money, they were obliged to build the canal by their own labor, and now that it is completed, to collect the tolls for the transportation of their own products, and from all the merchandise passing on the canal, and give this income to the foreign and other holders of the bonds for merely furnishing a representative of Illinois property.

If the Safety Fund had been established, and money had been issued representing the property of the people of Illinois at an interest of six per cent, their property would not have been more encumbered than by being pledged to foreigners at the same rate of interest. The property that secured the loan to foreigners would have been good security to the Fund. The interest on the loan would have been profits to the State, instead of being profits to foreigners. All the interest that Illinois pays to other States or nations, is paid for the use of money, and not for the use of actual capital. If the people of Illinois had had no capital, they could not have borrowed money; if they had ample capital, they certainly should have had the power to obtain a proper representative of it at home, instead of being compelled to go abroad. How different would have been the situation and prosperity of the State, had the Safety Fund been established before commencing her internal improvements. The necessary money would have been obtained at one and one-tenth per cent to carry them through without delay, and no embarrassment from a scarcity of money would have been felt in any department of industry. The improvements would have remained in her own hands, and she would long since have been deriving the advantages of them in tolls and facilities.

But under the present monetary system, she has suffered the loss of credit, and to complete her improvements has been compelled to mortgage her canal and canal lands, and the labor of coming generations.

Millions of money are now paid in interest to foreign nations on our government and State debts. Besides in all our large seaport towns, many foreign capitalists have agencies or banking houses for drawing bills of exchange, dealing in stocks, discounting notes at enormous rates, &c., and in this way immense fortunes are accumulated from our labor. These capitalists exercise a great influence upon our money market. When our people shall have an ample national currency, at a low and uniform rate of interest, these capitalists and agents will disappear. Money-brokers and stock-jobbers, who now live by fluctuations in the money market, will abandon an occupation no longer profitable.

The value of money being made uniform, all kinds of stocks will maintain a uniform value, according to the per centage interest which they will yield, and the time they have to run before the payment of the principal. If they bear a higher rate of interest than the legal one, of course they will be above par. All the State stocks which the States have reserved the right to pay before maturity, will be paid with money borrowed at one and one-tenth per cent. Even if the bonds of some States have a number of years to run, the States can much more easily pay five, six, or seven per cent interest per annum upon them during the period, than they can under the present monetary system, because the value of their labor and products will be increased. The same will be true of all private bonds and mortgages having a number of years to run. A few years will extinguish all these old loans, and then there will be a nearly uniform rate of interest on all obligations throughout the nation.

Although all useful trades and occupations are mutually beneficial and necessary, yet in most nations a jealousy exists between the agricultural and manufacturing interests. But in reality the natural tendency of the prosperity of one is to increase the prosperity of the other. The object of both is to supply themselves and each other with food, clothing, and the other comforts of life. When they have a just representative of their products, and can easily exchange them with one another, the prices of the products of both will naturally adjust themselves, so that both will receive the proper reward of their labor, while each will contribute to the benefit of the other. So long as the poverty of producers is supposed to be caused by over production, and the sale of too many products, the evil will be attributed to laws favoring one class of producers to the disadvantage of others. But when the real cause of the oppression, that is, the monopolizing power of money, is rectified, the various branches of productive industry will harmonize, and promote one another's welfare.

Some may not understand how the rate of interest on money affects the compensation of labor. Suppose the owner of a small farm is now obliged to work early and late for a mere subsistence. He has little or no means to spare for the education of his children, and in fact cannot give them time to attend school. If this man should be told that the high rate of interest at which money is loaned deprives him and his family of the comforts of life and the means of education, he would very naturally ask, "How can that be? I never borrow money and pay interest, nor do I lend money and receive interest. The payment of a high rate of interest by others does not affect me; it does not diminish my crops. I raise food for my family, and the produce that I can spare I sell, and buy such other articles as we need, and the storekeeper does not charge me any interest. I have enough to do to live, without troubling myself about the interest on money." He is indeed aware that many people live with far less labor than he does, and have many more comforts, and this he attributes to their good fortune. He does not grasp the subject sufficiently to perceive that the interest on money is a standard or governing power, which compels him to contribute his proportion of the products required to support all the non-producers in this country, and probably some of the capitalists of Europe. He does not see that a large per cent is taken from the price of his products by the purchaser, in order to enable the latter to pay his interest and live by the purchase and sale; and that, for the same reason, when he purchases, a large per cent is added to the price of every article produced by the labor of others. This difference in price must be sufficient to support all who live upon income without labor.

Let the Safety Fund be established, and interest be reduced to one and one-tenth per cent, and after a year or two let inquiry be made of the same farmer about his welfare. He would probably say, "I am doing very well; I am much better off than I was two or three years ago. I send my children to school, and have a good living."

Should he be told that his prosperity was owing to a sound currency and low rate of interest, he might say, "I do not borrow any money from the Safety Fund, and I have no money to lend upon interest. I raise corn and potatoes as formerly, and sell them to the same merchants. I do not see how the reduction of the interest on money that other people borrow is any benefit to me." Although he do not perceive the causes of his past privations or of his present comforts, he will be as sensible as any one of the improvements in his condition. Should a man suffer intense pain, and be informed that it was caused by the disorder of a nerve, he might not understand this, nor think so small a cause could occasion such acute suffering. Should the proper remedy be applied, the nerve recover its tone, and the pain cease, he would be conscious of health, although he might not understand how the pain was removed. Whether a man understand the laws relating to his physical system or not, he will suffer if any organ do not perform its duty; and whether laborers understand the constitution of money or not, they must suffer all the consequences of its imperfect or deranged organization.

When the natural reward of labor is secured to the laborer, poverty cannot exist in any family whose members are able and willing to work. And those who can so easily provide for their own wants, will cheerfully contribute to the support of the sick and needy. They will be able to supply themselves amply with the comforts of life, and have an abundance of time for intellectual and moral culture. The incentives to vice will be comparatively few. Avarice first arises from the fear of want; to remove want will therefore in a great measure remove this vice, and the unnumbered evils which are its attendants. It is frequently said that the people must reform, and that not until then may we hope for good laws. Not so: we might as well expect families to grow up virtuous where the parents are cruel, profligate, and vicious, as to expect nations to be virtuous under oppressive laws. Make the laws a standard of right, and their benefits must secure an improvement in the morals of the people.

It is often said that men are naturally indolent, and will not labor unless compelled by an urgent necessity; and it may be objected to the Safety Fund that if laborers are supplied with all the necessaries and comforts of life with far less labor than at present, the effect will be to induce indolence. The necessity to labor under the present system, capitalists have the power to impose. This opinion is held mainly by men who have accumulated large properties, and by those who have been placed in easy circumstances by their ancestors. This class seem to think it their right, if not their duty, to take all the surplus earnings from laborers, that the latter may be kept at work. They forget that their present means were accumulated by exertions prosecuted far beyond any necessity for subsistence or comfort. If it be true that man is naturally indolent, it will be difficult to show any good reason for compelling the larger part of the race to labor excessively to avoid starvation, and to give the greater and better portion of their productions to support a smaller class without labor. There are those, however, who believe that man is naturally industrious. They know that healthy children are continually active, and when motives of comfort or pleasure are offered, are ever ready to make great exertions to obtain the desired objects. Hence they believe that if the productions of labor were fairly awarded to producers, the prospect of the comfort and elevation in store for the industrious, would present sufficient motives to secure all necessary and desirable exertion. This certainly is true unless the natures of the child and the man are radically different. But if, when a child had made great exertions to obtain some desired object, others should by a secret or visible power prevent his receiving three-fourths of his well-earned reward, and the same exertions should be repeatedly followed by the same results, doubtless he would be discouraged from further attempts. If under these circumstances he should become idle, or seek to acquire without labor, it ought not to be attributed to natural indolence, but to the want of a reasonable assurance that his labor would be successful. The situation in which the producing classes of all nations are placed, seems analogous to that of the disappointed child. It has hence become a very common remark that man is naturally indolent. If equally discouraging circumstances accompanied the exertions of children as now attend the laboring classes, effort would depend on necessity; and then men and children would be found to have the same natures, and to be governed by similar motives.

As a further illustration of the foregoing principle, we may notice briefly the policy which our government should pursue in the sale of the public lands. If a country is to become wealthy, facilities must be afforded to those who perform the labor necessary to make it rich. It is generally admitted that a free people will perform more labor, and make greater production than an equal number of slaves. This seems to prove that those who expect to own and enjoy the proceeds of their labor will produce more than those who are stinted in the necessaries of life by having their products appropriated to the use of others. Where large estates are rented, and the landlords take a great share of the earnings of their tenants, the farms are not generally as well cultivated, and the buildings and other improvements are seldom if ever as good as where the farmers are the owners of the soil which they cultivate. The difference is doubtless owing to the hopelessness in one case that even by severe toil they shall materially improve their condition, and to the prospect in the other of enjoying the fruits of their labor. To the former labor is a burden, while the latter cheerfully perform a greater amount. If then our government desires the improvement of the public lands, encouragement must be offered to those who will purchase and cultivate them. Speculators who buy and sell them at a tenfold profit, and make no improvements on the lands, add nothing to the wealth of the country; but purchasers who go upon the land and improve it by their labor, increase the public wealth. Let then the government sell the lands to actual settlers only, in parcels not exceeding half a section to any individual. Let a small part of the purchase money be paid down, and the balance remain on mortgage at one and one-tenth per cent interest until the occupant is disposed to pay it. In this way the land will at once bring an income to the government as good as if the whole purchase money were paid and reloaned at the legal rate of interest. The government will be perfectly safe, and the people will pay for and improve the lands. This will at the same time build up a prosperous and happy people, who will soon add immensely to the wealth of the nation, and who, in improving their own condition, will contribute to the comfort and happiness of others by supplying them with food, and receiving their surplus products in return.

If laws be such that the people can secure a good living and a handsome surplus without labor, and can earn only a scanty subsistence and no surplus by it, they will seek to exempt themselves from labor. But if the laws be made such that labor will secure to them a good living and a handsome yearly surplus, while without it they can obtain only a poor living and no surplus, people will incline to labor. If interest be reduced to a just rate, almost the entire population of the country will be engaged in some species of productive industry, and the laboring classes will be relieved from the support of a numerous body who now live by their wits—that is, by contriving to obtain the products of others without toil. When money is made a just standard, the injustice of contracts founded upon it will cease, and many laws necessary to support the present unjust standard will disappear.

So long as monetary laws continue a standard that will wrest products from producers, and place and protect them in the hands of non-producers, they will require for their support the aid of the sword and bayonet, because man's natural sense of right revolts against the usurpation and the injustice of such protection. But when monetary laws shall sustain a just standard of value, which will award and protect products in the hands of their producers, they will of course conform to the natural laws of production, which were ordained by a higher than human power. The distribution then being according to justice, strife will cease, because a man having his own rights respected and protected, will naturally respect and protect the rights of others. The time is not far distant when this truth will be known and appreciated by all civilized nations, and the mistaken power of legal *might*, which has such dominion over man, will wither before the higher power of *right*.

CONCLUSION.

In the previous pages, the discussion of the rights of labor and capital has been prosecuted with the sole view of convincing the public that they are very unequally protected; that the rapid increase of capital by per centage, now favôred by monetary laws, while it stimulates the enterprise of the few, and naturally and inevitably secures to them great wealth, represses and cripples the enterprise of the great mass of the people, tending to pauperism, crime, and indirectly, but certainly, to the overthrow of any and every government, which, disregarding the ratio of the actual increase of property by labor, shall give the preference to capital; that justice to labor, while it secures individual comfort and happiness to all who are able and willing to work, will rapidly develop the highest qualities of our nature, and all the resources of our country, and greatly increase the national wealth; that it will give to civilization an impetus such as the world has never seen, and relieve it from one of its hardest conditions, that of creating desires and necessities which it provides no means to gratify; that it will silence at once and forever the doubt so often felt and spoken, whether the happiness of the mass of men has been promoted or not by the change from the savage to the civilized state.

It has been shown that labor constitutes the real treasure of a nation, and without claiming for it anything more than its natural rights, it is insisted that these should be guarded by the most jealous care of government.

It has also been shown that under existing monetary laws, labor is not and cannot be properly rewarded. Change is indispensable, and fortunately it can be effected without altering the constitution of the United States, without the slightest disturbance to the present institutions of society, or real injury to any one.

It is now for the American people, who have founded their government upon the principles of equality and freedom, to establish the rights of labor, which have been nearly disregarded in all previous time, and only cared for as they served to minister to the ambition and luxury of courts and nobles. Let the social position of the laborer, to which he is entitled by the ordination of God in the laws of nature, be ascertained and recognized, and poverty, crime, and most other political and social evils, will give place to competency, virtue, and happiness.

The facts contained in this volume show plainly that our monetary system favors the rapid concentration of capital in opposition to the rights of labor, and we deem it warrantable to assume, that nearly all who shall carefully examine the subject, will be convinced that our present laws of distribution are continually doing a great wrong to the people.

Nothing more simple than the Safety Fund need be desired, and the more it is considered, the more adequate it will appear to distribute wealth to those whose labor earns it. This system will as certainly reward labor, as the one now in force has oppressed it. It will infringe no rights of property. The owners of wealth will continue in undisturbed possession. They will be able to loan their money and rent their property as readily at one and one-tenth per cent as now at six or seven per cent. The dollar received by the rich man in interest or rent will purchase as much as the dollar earned by the laborer; precisely as at the present rates of interest. Land-owners will be at liberty to rent the soil to tenants, work it themselves, or leave it untilled, according to their own pleasure: the low rate of interest will not prevent its yielding crops. Capitalists will not be required to favor laborers, nor to give them employment, nor to diminish the hours of toil. Capitalists and laborers will be free to make their own agreements on these points. The Safety Fund contemplates no agrarian distribution. Neither individuals nor the government are required to distribute their lands or property, or to contribute money to the support of laborers. Laborers will need no favors. They only require that the government establish a just standard of value, which will allow them to possess an equitable share of the fruits of their labor.

Who are those directly interested in the adoption of the Safety Fund? All agriculturists, manufacturers, mechanics, planters, in short, all who wish to earn a support by honest industry. Merchants will do a safe business in exchanging products, and their profits will be moderate and sure. Nine-tenths of our whole population will receive the pecuniary benefit which is justly their due, and the remaining one-tenth will be left in undisturbed possession of their present wealth, and like their fellow-citizens, at liberty to increase it by any useful employment. The desire of capitalists to accumulate is often owing to the wish to leave large fortunes to their children. But if they rightly consider the instability of wealth, they cannot expect all, or even one-fourth of their posterity to remain rich. Will it not be, to reasonable men, a thousand times more consoling to leave such laws, as with a moderate amount of labor will secure to their whole posterity the comforts of life and the means of education, than to leave to their children the money and the present monetary laws, which must in a few years compel the larger part to toil incessantly for a scanty subsistence, and deprive them of mental and social culture? Are not just laws a far greater blessing to transmit than any amount of wealth? It is believed that many among the rich, perceiving the justice and beneficence of this system, will be found among its most ardent supporters.

The means necessary to put in operation and sustain the Safety Fund are not confined to the few capitalists who now control the currency, and furnish the government and the people with money. Our farmers and mechanics alone have sufficient landed estate to secure several times the necessary amount of currency. The only thing required is a law of Congress adopting this system. This must be effected directly by petition, and by making the measure a leading question, the people voting only for men who will use their influence in favor of it. Every one, thoroughly convinced of the truth of the positions taken in this book, can do something in diffusing a knowledge of them among his friends and neighbors, to a greater or less extent. The most effectual way to excite interest, and give it prominence, is to call public meetings and lecture upon the subject. The objects which will be secured by its establishment, are so evidently in accordance with the principles and aims of the Christian religion, that ministers of the Gospel cannot fail to advocate it with the same zeal that they advocate peace, justice, and good-will among men; nor can statesmen who legislate for the well-being of their countrymen, refuse it their support. Every public newspaper has great power to awaken the attention of the people, and to disseminate a knowledge of this new monetary system, and their aid would greatly hasten its adoption. But more than all, let farmers, mechanics, and all men who earn their living by labor, *determine* that Congress shall legislate so as to do them justice.

APPENDIX.

THE FRENCH REVOLUTION OF 1848.

The recent adoption of republican institutions by the French people has excited a deep interest in this country, and in every part of the civilized world. "What were their complaints against the late government?" and "Will the adoption of a republican form of government remove these complaints?" are questions that must be answered before any satisfactory conclusion can be formed respecting the permanence of the new government. It is, therefore, proposed to consider briefly these two paramount questions.

What, then, were the causes of complaint? Numerous as they may have been, they may all be traced to one source, inequality of condition. This inequality appeared on all sides. The royal family and the aristocracy constituted a class at an almost infinite remove from the common laborer; while the middle class, as its name imports, lay between these two extremes. Nearly all lucrative offices and posts of honor were in the hands of the first class; a few were distributed to the second, and none to the third. Among the ambitious, it was doubtless a source of discontent that the hope of political distinction was confined to these narrow limits. But this source of complaint, although it probably had its influence upon some minds, appears not to have been the actual cause of the recent revolution.

It is evident that the true cause was the oppression of labor. Besides providing for their own subsistence, laborers were compelled to support a multitude of non-producers, to pay the taxes necessary to support an extravagant government, a numerous army and navy, and, in addition to these, the interest on a large national debt. That laborers could not do this was not their fault, and it is not surprising that they overthrew their former government and established the present, in the hope of improving their condition.

It is only necessary to examine how far the present government meets the wants and just hopes of the people, to determine the question of its permanence. The new government, by establishing universal suffrage and eligibility to office, has accomplished everything in respect to political equality that can be desired. This cause of complaint is, therefore, entirely removed. But it has been stated that political inequality was not the immediate, the actual cause of the revolution. This was the deprivation of the just rewards of labor, produced by an unjust monetary system, which gave to money the power to appropriate to capital what justly belonged to labor. How has the new government met this, the principal grievance? Simply by increased taxation, present and prospective; an increased public debt, and increased rates of interest. An apology may be found in